A/51/5/Add.7

United Nations

United Nations Population Fund

Financial report and audited financial statements

for the biennium ended

31 December 1995 and

Report of the Board of Auditors

General Assembly
Official Records • Fifty-first Session
Supplement No. 5G (A/51/5/Add.7)

A/51/5/Add.7

United Nations Population Fund

Financial report and audited financial statements for the biennium ended 31 December 1995 and Report of the Board of Auditors

General Assembly
Official Records • Fifty-first Session
Supplement No. 5G (A/51/5/Add.7)

United Nations • New York, 1996

NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

ISSN 0251-8252

[Original: English]

[13 August 1996]

CONTENTS

		Page
ABBREVIATIONS		v
LETTERS OF TRANSMITTAL		vi
I.	FINANCIAL REPORT FOR THE BIENNIUM ENDED 31 DECEMBER 1995	1
II.	REPORT OF THE BOARD OF AUDITORS	5
III.	AUDIT OPINION	35
IV.	CERTIFICATION OF THE FINANCIAL STATEMENTS	36
V.	FINANCIAL STATEMENTS FOR THE BIENNIUM ENDED 31 DECEMBER 1995	37
Statement I.	Statement of income and expenditure for the biennium ended 31 December 1995 with comparative figures for the biennium ended 31 December 1993	38
Statement II.	Statement of assets and liabilities as at 31 December 1995 with comparative figures as at 31 December 1993	39
Statement III.	Statement of movement in resources for the biennium ended 31 December 1995	40
Statement IV.	Statement of changes in financial position for the biennium ended 31 December 1995 with comparative figures for the biennium ended 31 December 1993	41
Schedules to the financial statements:		
1.	Status of voluntary contributions pledged as at 31 December 1995	42
2.	Miscellaneous income and expenditure for the biennium ended 31 December 1995 with comparative figures for the biennium ended 31 December 1993	46
3.	Expenditure by United Nations agencies, Governments and non-governmental organizations for the biennium ended 31 December 1995	47
4.	Project costs: unspent allocations as at 31 December 1995	49
5.	Technical support services: unspent allocations as at 31 December 1995	50

CONTENTS (continued)

Page

6. Administrative and programme support services budget appropriations and expenditure for the biennium ended 31 December 1995 51

7. Investments as at 31 December 1995 with comparative figures as at 31 December 1993 52

8. Trust funds: statement of account for the biennium ended 31 December 1995 53

Notes to the financial statements 57

ABBREVIATIONS

AGFUND	Arab Gulf Fund for United Nations Development Organizations
ECA	Economic Commission for Africa
ECE	Economic Commission for Europe
ECLAC	Economic Commission for Latin America and the Caribbean
ESCAP	Economic and Social Commission for Asia and the Pacific
ESCWA	Economic and Social Commission for Western Asia
FAO	Food and Agriculture Organization of the United Nations
IBRD	International Bank for Reconstruction and Development
ILO	International Labour Organization
IPPF	International Planned Parenthood Federation
OPEC	Organization of Petroleum Exporting Countries
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNOPS	United Nations Office for Project Services
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
WHO	World Health Organization

LETTERS OF TRANSMITTAL

24 April 1996

Sir,

Pursuant to UNFPA financial rule 116.2 (b), I have the honour to submit the financial statements of the United Nations Population Fund for the biennium ended 31 December 1995, which I hereby approve.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

Accept, Sir, the assurances of my highest consideration.

(Signed) Nafis SADIK
Executive Director
United Nations Population Fund

The Chairman of the Board of Auditors
United Nations
New York

31 July 1996

Sir,

I have the honour to transmit to you the financial statements of the United Nations Population Fund for the biennium ended 31 December 1995, which were submitted by the Executive Director. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts.

Accept, Sir, the assurances of my highest consideration.

(Signed) Osei Tutu PREMPEH
Auditor General of Ghana
and Chairman
United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York

I. FINANCIAL REPORT FOR THE BIENNIUM ENDED 31 DECEMBER 1995

1. The Executive Director of the United Nations Population Fund (UNFPA) has the honour to submit herewith the financial report of the Fund for the biennium ended 31 December 1995.

2. UNFPA is submitting its accounts for 1994-1995 in conformity with the changes in financial procedures of UNFPA approved by the General Assembly in resolution 45/235 of 21 December 1990, paragraph 6. The accounts consist of four statements supported by eight schedules and accompanied by notes that are an integral part of the financial statements, and also cover the UNFPA trust funds established for population activities by the Governing Council of the United Nations Development Programme (UNDP) or by the Executive Director.

3. The submission of the biennial accounts is made in conformity with regulation 16.1 of the UNFPA Financial Regulations approved by the Governing Council at its thirty-seventh session in decision 90/36, paragraph 7.

Executing agency accounts

4. In accordance with UNFPA financial regulation 17.1 (b), the UNFPA financial statements incorporate the data obtained from the biennial accounts of the executing agencies with regard to the status of funds allocated to them for the execution of UNFPA projects during the biennium 1994-1995.

5. As of the date of the preparation of the present financial statements, the following executing agencies had not submitted audited accounts:

Food and Agriculture Organization of the United Nations (FAO)

International Labour Organization (ILO)

United Nations Educational, Scientific and Cultural Organization (UNESCO)

United Nations Industrial Development Organization (UNIDO)

World Health Organization (WHO)

The United Nations Board of Auditors are the external auditors of UNFPA as well as the auditors of the United Nations regional economic commissions and other United Nations organizations and programmes that execute projects funded by UNFPA. These are as follows:

United Nations

Economic Commission for Africa (ECA)

Economic Commission for Europe (ECE)

Economic Commission for Latin America and the Caribbean (ECLAC)

Economic and Social Commission for Asia and the Pacific (ESCAP)

Economic and Social Commission for Western Asia (ESCWA)

United Nations Children's Fund (UNICEF)

United Nations Office for Project Services (UNOPS)

United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA)

The Board has indicated that in respect of the United Nations organizations and programmes listed above, it will not issue a separate audit opinion on the programme expenditures and programme support costs funded by UNFPA.

6. Should any changes be reported in the audited accounts of the United Nations organizations and programmes executing projects funded by UNFPA, UNFPA will report on the changes to the General Assembly and to the UNDP/UNFPA Executive Board at subsequent sessions. The Executive Director will submit to a subsequent session of the Executive Board copies of the audited statements and audit reports, if any, of the United Nations executing agencies and copies of any relevant resolutions adopted by their governing bodies, as required under UNFPA financial regulation 17.1 (b).

Financial status of the Fund

7. As shown in statement III, as at 1 January 1994, the balance of unexpended resources of the Fund was $47,263,890. During 1994-1995, UNFPA received income of $577,855,296, which includes cost-sharing income of $564,995 from UNICEF and the Governments of Botswana and Morocco, and had expenditures of $586,431,621, which resulted in an excess of expenditure over income of $8,576,325, as shown in statement I.

8. Statement III shows that as at 31 December 1995, the balance of unexpended resources of the Fund was $23,687,565 (including $202,522 for cost-sharing) after transfers to the operational reserve of $15 million.

Programme expenditure and administrative and programme support services expenditure

9. At its fortieth session held in New York in June 1993, the Governing Council gave the Executive Director a revised programme expenditure authority of $217,300,000 for 1994 (decision 93/27 B, para. 2). The Executive Board, at its annual session in June 1994, gave the Executive Director a programme expenditure authority of $224,000,000 for 1995 (decision 94/20, para. 2). Thus the programme expenditure authority for the 1994-1995 biennium totalled $441,300,000. However, as shown in schedule 4, total year-end allocations to projects for 1994-1995 were $541,816,911, of which $71,738,213 represented unspent allocations brought forward from 1993. The unspent allocations as at 31 December 1995 amounted to $109,480,802 and for future years, $198,305,438. In addition, as shown in schedule 6, net appropriations for the 1994-1995 administrative and programme support services biennial budget totalled $113,092,200, as approved by the Governing Council at its fortieth session (decision 93/28, para. 14). The unencumbered balance as at 31 December 1995 was $17,709,275.

10. The breakdown of 1994-1995 expenditure is shown in statement I. It comprised $491,048,696 for programme expenditure, including technical support services, administrative and operational services and UNFPA support costs, and

$95,382,925 for administrative and programme support services, after credits of $10,796,645 earned for programme support services were taken into account. The administrative and programme support services expenditure included $47,155,724 relating to field programme support (see schedule 6).

11. In 1994-1995, the ratio of project expenditures to year-end project allocations was 79.8 per cent, compared to 78.5 per cent for the previous biennium. A summary breakdown of this expenditure is as follows (millions of United States dollars):

Executing agencies	Amount	Per cent of total
United Nations executing agencies	74.2	17.2
Governments	101.1	23.4
UNFPA a/	193.0	44.6
Non-governmental organizations	64.0	14.8
Total	432.3	100.0

a/ UNFPA-executed projects include procurement assistance by the UNFPA headquarters Procurement Unit in respect of government projects amounting to $90.1 million.

In 1994-1995, the ratio of technical support services expenditure to approved budget was 91.3 per cent. The administrative and programme support services expenditure against the 1994-1995 appropriation was 84.3 per cent.

Status of operational reserve

12. The operational reserve was established by the Governing Council in January 1973 at the $20 million level to guarantee the financial viability and integrity of the UNFPA programme. At its thirty-eighth session, in decision 91/36, the Governing Council decided that the level of the operational reserve should be set at 20 per cent of general resources income for each year of the UNFPA work plan and that it would review the level of the reserve every other year. As at 31 December 1995, the operational reserve amounted to $63 million. The level of the operational reserve was to be reviewed in 1996.

Liquidity position

13. As at 31 December 1995, UNFPA had bank balances in convertible currencies and time-deposit investments amounting to $187,457,387, which included $4 million of time-deposit investments of the reserve for field accommodation, $63 million of time-deposit investments of the operational reserve and $48,670,688 million belonging to UNFPA trust funds (see statement II and schedule 7). The investments reported in statement II and in schedule 7 were recorded at the United Nations operational rate of exchange which came into effect in December 1995.

Trust funds

14. Schedule 8 shows the statement of account for the biennium 1994-1995 of the trust funds established by the Executive Director for multilaterally and bilaterally funded programmes and other special population activities. The unexpended balance of the trust funds as at 1 January 1994 was $19,728,475. Contributions received from Governments and other sources during 1994-1995 totalled $94,207,638. In addition, interest and miscellaneous income amounted to $3,653,396. The total amount available for programming in 1994-1995 was $116,782,638. Total programme expenditure, including support costs, was $93,115,221, leaving an unexpended balance of $23,667,417 as the opening balance for 1996.

II. REPORT OF THE BOARD OF AUDITORS

Introduction

1. The Board of Auditors has audited the financial statements of the United Nations Population Fund (UNFPA) for the period 1 January 1994 to 31 December 1995 in accordance with General Assembly resolution 74(I) of 7 December 1946 and article XVII of the Financial Regulations of the Fund. The audit has been conducted in conformity with article XII of the Financial Regulations and Rules of the United Nations and the annex thereto, and the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. These standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatements.

2. The Board's audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The examination was based on an assessment of UNFPA's accounting systems and controls and a test audit in which all areas of the financial statements were subject to direct substantive testing of transactions. The audit also included an assessment of the accounting principles used and significant estimates made by management, as well as an evaluation of the overall presentation of the financial statements. The examinations were conducted at UNFPA headquarters in New York and at field offices in Bangladesh, Ethiopia, Ghana, Morocco, Nepal and Senegal. The Board considers that its audit approach provides a reasonable basis for its opinion. While the financial statements are the responsibility of UNFPA's management, the Board's responsibility is to express an opinion as to whether, based on its audit, the financial statements present fairly the financial position of UNFPA as at 31 December 1995.

3. The Board's examination included a general review and such tests of the accounting records and other supporting evidence as it considered necessary in the circumstances. These audit procedures are designed primarily for the purpose of forming an opinion on UNFPA's financial statements.

4. In addition to its audit of the accounts and financial transactions, the Board carried out reviews under article 12.5 of the Financial Regulations and Rules of the United Nations. The reviews primarily concern the efficiency of financial procedures, the internal financial controls and, in general, the administration and management of UNFPA.

5. In 1994-1995, the Board examined:

(a) UNFPA's planning, support and evaluation of national project execution;

(b) UNFPA's technical support services arrangements;

(c) The procedures for managing interregional projects; and

(d) UNFPA's selection, management and evaluation of consultants.

6. A summary of the Board's principal recommendations is presented in paragraph 11. The Board's main findings are reported in paragraphs 12 to 45. Detailed findings are reported in paragraphs 46 to 139.

Action taken on recommendations in previous reports to the General Assembly

7. The Board carried out a review of the measures taken by UNFPA in response to the recommendations made by the Board in its audit report for the biennium 1992-1993. The Board welcomes UNFPA's positive response to the Board's recommendations. It recommends that UNFPA, having reviewed its policy on purchasing brand products, should issue specific guidelines to encourage or switch to purchasing generic products rather than brand names. Details of the actions taken by UNFPA, together with the comments of the Board, are set out in the annex to the present report.

8. In its report for the biennium 1990-1991, the Board made several recommendations, most of which have been successfully acted upon. However, two matters remain unresolved. The Board notes that despite its comments in its earlier report, the Policies and Procedures Manual remains largely out of date. The Board considers that an up-to-date manual is essential to UNFPA's efficient conduct of its operations and that revision of the manual should be a matter of priority.

9. The Board commented in its earlier report on the lack of clear guidelines on cost-sharing for field offices. The Board was pleased to note that UNFPA has since issued guidelines on financial operations of country offices, covering cost-sharing with other agencies, and that about half of UNFPA country offices had entered into formal service agreements with such agencies.

Overall results

10. Except for the restriction on the scope of the Board's audit described in paragraphs 46 to 48, the Board's examination revealed no weaknesses or errors considered material to the accuracy or completeness of the financial statements as a whole. In accordance with normal procedures, the Board recorded significant findings in management letters to UNFPA.

Summary of recommendations

11. The Board recommends that UNFPA take the following actions:

Financial matters

Trust funds

(a) UNFPA should adhere more closely to the requirement that trust fund activities only be initiated on a fully funded basis (see para. 52).

Management issues

Management of national project execution

(b) UNFPA should make a more systematic assessment of country needs to ensure that it can respond in a well-planned and effective manner. It should also set strategic targets for the implementation of national execution (see paras. 68 and 69);

(c) UNFPA should determine the role and responsibilities of field staff in relation to national execution and then plan the training and resources required to equip the field offices to fulfil their tasks (see para. 73);

(d) UNFPA should finalize and issue the draft guidelines on the selection and assessment of institutions for national project execution (see para. 74);

(e) UNFPA should evaluate its progress on implementing national execution and the methods used to enhance national capacity and should compare the effectiveness of national project execution with agency or other execution (see para. 82).

Technical support services arrangements

(f) UNFPA should develop appropriate indicators of capacity-building and of the impact of country support teams on programmes and projects (see para. 93);

(g) UNFPA should review the scope for extending the use of consultants in a country support role in order to gain access to fresh skills as well as reduce costs (see para. 95);

(h) UNFPA should establish and periodically review countries' needs and ensure that resources of country support teams are adjusted accordingly (see para. 101);

(i) UNFPA should review the running costs of the offices of country support teams and exercise tight control, including establishing performance targets and measures to provide standards against which those offices can compare their costs (see para. 106).

Management of interregional projects

(j) UNFPA should give more consideration to the question of whether an agency is best suited for a project and of whether all the alternatives have been assessed and the most cost-effective approach chosen (see para. 112);

(k) UNFPA needs to take a more proactive role in formulating projects, setting out the requirements for meeting UNFPA's overall objectives and those of the intercountry programme (see para. 114);

(l) Where appropriate, UNFPA should use baseline studies to identify the need and the potential recipients of the project, and, where possible, it should set out a project's objectives in clearly quantifiable and qualitative terms (see para. 114);

(m) There should be more active involvement by the project officer in obtaining independent evidence of the project's progress, its quality, whether it is reaching the intended recipients and whether the objectives are being achieved (see para. 118).

Selection and use of consultants

(n) UNFPA's Division of Personnel should set clear criteria for the terms of reference of consultants and ensure that they are met (see para. 126);

(o) UNFPA should make increased use of its international roster and maintain it with up-to-date information (see paras. 131 and 132);

(p) UNFPA should review its selection procedures for consultants to secure a wider consideration of candidates (see para. 133);

(q) Evaluating officers should be required to give greater attention to the completion of assessment forms and, as a minimum, the consultants' strengths and weaknesses should be identified (see para. 135).

Summary of findings

Financial matters

On programme expenditure incurred by executing agencies

12. At the date of finalization of the financial statements, audit certificates had not been received in respect of programme expenditure totalling $84.1 million incurred by Governments and non-governmental organizations. Accordingly, the Board has restricted the scope of its audit opinion (see paras. 46-48).

On United Nations System Accounting Standards

13. UNFPA has generally complied with the United Nations System Accounting Standards in preparing its 1994-1995 financial statements (see paras. 49 and 50).

On trust funds

14. Two trust funds had negative balances as at 31 December 1995, contrary to UNFPA's financial regulations (see para. 52).

On inventories of non-expendable property

15. The Board found that the inventory valuation for field offices was not reliable, since 15 of the 92 offices had not made an inventory return for 1995 (see paras. 53-55).

Management issues

Management of national project execution

On planning: enhancing national capacity

16. UNFPA did not make a global assessment of what needed to be done to help national institutions achieve self-sufficiency and be able to execute projects efficiently. In response to the Board's observations, UNFPA has decided to prepare capacity-building guidelines and a guidance and strategy paper on national execution (see paras. 62-65).

On planning: impact on UNFPA resources

17. UNFPA did not assess the impact that a move towards national execution would have on UNFPA's resources, particularly in the field offices, where the impact was likely to be most significant. It did not assess the particular

skills required, identify training needs or assess the impact of national execution on staff resources (see paras. 66-68).

18. UNFPA did not set strategic targets for the rate of introduction of national execution, implementation of which will continue to be selective and gradual (see para. 69).

On developing field office capacity

19. Consultants considered that field offices lacked the staff to administer and monitor programmes adequately (see paras. 70-72).

20. In 1995 UNFPA initiated new training workshops designed to strengthen the programme and management skills of national programme staff (see para. 73).

On developing national capability and accountability

21. The Board and the consultants found very little evidence that field offices were assessing the administrative, financial and technical capability of national executing agencies and taking account of any deficiencies when formulating projects. UNFPA is developing criteria to help select the most appropriate national executing institutions and define the types of assistance required (see paras. 74 and 75).

22. The Board considers that more extensive use of national project officers would benefit national execution and capacity-building (see para. 76).

On financial control of projects

23. The Board is concerned that despite its comments and recommendations in previous reports, little has been done to help improve the capacity of Governments for undertaking audits of national execution projects. UNFPA has undertaken to prepare relevant guidelines (see paras. 77-79).

On evaluation

24. UNFPA prepared annual reports on the progress of its country programmes and projects but there was no detailed assessment of nationally executed projects or whether national capability had been enhanced (see paras. 80-82).

Technical support services arrangements

On cost-effectiveness

25. Cost-effectiveness was not given appropriate consideration when the new system was designed in 1992 nor when it was evaluated by consultants in 1994, and there remain no routine or systematic means for keeping this important aspect under review (see paras. 90-93).

26. The Board estimated that significant savings could have been achieved in 1995 if UNFPA had used international consultants instead of the existing country support teams, with the additional benefit that UNFPA could have secured a more flexible and wider range of skills. UNFPA considered that the input of the consultants is normally a one-time activity, limited in scope and without institutional base for follow-up support (see paras. 94 and 95).

On use of national experts

27. Consultants found that national experts were not used to the fullest extent. UNFPA informed the Board that it had requested country support teams to develop plans for technical backstopping, in which it expected national consultants to be considered as the first line of expertise (see paras. 96 and 97).

On skills mix of the country support team

28. There were indications that the country support team advisers would not be able to replace the very specialized expertise available from international consultants or universities (see para. 98).

29. In nearly all the country support teams there was an imbalance of work between the various disciplines, and, in most cases, the composition of the country support teams did not match the region's requirements (see paras. 99-102).

On technical support services' specialists and coordinators

30. Consultants found that technical support services' specialists were used unsystematically or in a poorly planned manner and that they were not meeting many of their objectives. UNFPA is addressing the need to refine and strengthen the role of the technical support services' specialists and coordinators (see para. 103).

On control of costs

31. Most of the offices showed a marked cost increase during the four-year period 1992-1995. UNFPA fully agreed with the Board's recommendation that it should review the running costs of the offices of the country support teams (see paras. 104-106).

Management of interregional projects

On project formulation

32. In none of the projects examined had UNFPA carried out a baseline study to identify the pre-project position, the needs, the potential recipients and the best and most cost-effective means of reaching them. In only three projects examined was there a clear statement of how the project would meet either UNFPA's overall aims or those of the interregional programme (see paras. 112-114).

33. Only six of the projects examined contained work plans that conformed to the guidelines and most of the projects examined failed to set out clear, measurable outputs. UNFPA told the Board that it was introducing new guidelines to address the Board's concerns (see para. 115).

On project monitoring

34. In the absence of clear work plans setting out the scheduled progress of the project, it was difficult to ascertain whether objectives were being achieved. UNFPA was addressing these issues in the revised project formulation and monitoring guidelines (see paras. 116-118).

On project assessment and evaluation

35. There was little evidence that UNFPA was actively seeking feedback through project evaluation. For eight of the projects examined, there was no assessment of whether the project's objectives had been achieved or of whether the outputs had been of value or had reached their intended recipients. UNFPA has already taken steps to ensure that evaluations, at least for all major projects, are a priority (see paras. 119 and 120).

Selection and use of consultants

On establishing need

36. The Board was content that consultants were only employed when it had been established that internal resources could not provide the expertise and independence required (see para. 124).

On defining requirements

37. In all the cases examined, the terms of reference were drawn up prior to hiring the consultant. However, the Board noted that the quality of the terms of reference varied. UNFPA recognized that there were weaknesses in this area and stated that it would prepare guidelines to assist requesting units in the development of adequate terms of reference for the recruitment of international consultants (see paras. 125 and 126).

On the search for candidates

38. The Board considers that UNFPA should have access to a wider range of candidates to ensure independence of selection and to improve the prospects of securing good value for money (see para. 127).

39. Although UNFPA maintained a computerized international consultants' roster, the Board found that 77 per cent of consultants used in the 1994-1995 biennium were not included in the roster (see para. 128).

40. There were no formal guidelines for maintaining the roster. The Board was, however, encouraged to note that UNFPA had requested that all country support teams ensure that consultants used should be included in the roster (see paras. 129-131).

On making the selection

41. In 26 per cent of the cases examined, only one candidate had been identified for the assignment. UNFPA considered that, as the Division of Personnel thoroughly reviewed the proposals submitted by requesting units, the basic safeguards were in place (see paras. 132 and 133).

On managing consultants

42. Following a recommendation by the Board of Auditors, UNFPA reminded senior staff of the need to follow diligently the procedures for supervising consultants (see para. 134).

On evaluating performance

43. The Board found that 58 per cent of the consultancy assessment questionnaires examined consisted only of a simple scoring of the consultant's effectiveness. UNFPA fully agreed with a recommendation by the Board that, as a minimum, the consultant's strengths and weaknesses should be identified (see paras. 135 and 136).

44. The Board was concerned that evaluating officers had failed to specify whether the consultant's work had met the agreed task objectives. UNFPA agreed to change the assessment forms to cover this point and to include the assessment results in the consultants' roster (see para. 137).

On the level of remuneration

45. The Board was satisfied that guidelines on consultants' fees were adhered to and that fees were properly negotiated (see para. 138).

Part I: Financial statements

Programme expenditure incurred by executing agencies

46. UNFPA included in its financial statements details of expenditure incurred on its behalf by executing agencies, which include United Nations agencies, Governments and non-governmental organizations. This information is based on expenditure statements prepared by the executing agencies. These statements should be supported by audit certificates provided by the external auditors of the agencies concerned. In the biennium 1994-1995, $276 million in programme expenditure was incurred by executing agencies under these arrangements, as shown in table 1.

Table 1. Programme expenditure incurred by executing agencies, 1994-1995

(Millions of United States dollars)

	Project costs	Technical support	Administrative and operational services	Total	Audited	Per cent
Executing agency						
United Nations agencies (excluding UNFPA)	74.2	29.4	4.4	108.0	108.0	100
Governments	101.1	--	--	101.1	49.3	49
Non-governmental organizations	64.1	0.4	2.4	66.9	34.6	52
Total (excluding UNFPA)	239.4	29.8	6.8	276.0	191.9	70

47. The Board does not have access to the expenditure records of all executing agencies, and consequently, it relies on the work of other external auditors, as evidenced by the audit certificates, to gain adequate assurance that the funds advanced to executing agencies, and reported in UNFPA's financial statements, have been properly expended on UNFPA projects.

48. At the date of finalization of the Board's report, audit certificates had not been received from Governments and non-governmental organizations in respect

of programme expenditure totalling $84.1 million. This expenditure has been included in UNFPA's financial statements, but because of the absence of audit certificates there was insufficient evidence to allow the Board to form an audit opinion on it. The Board has therefore restricted the scope of its audit opinion to exclude this expenditure.

United Nations System Accounting Standards

49. In September 1995, the Consultative Committee on Administrative Questions, on behalf of the Administrative Committee on Coordination, adopted the revised United Nations System Accounting Standards, incorporating a harmonized presentation of financial statements. The Committee agreed that organizations should be encouraged to apply the standards for financial periods ending in 1995.

50. The Board assessed the extent to which UNFPA's financial statements for the 1994-1995 biennium conformed to the Accounting Standards. The review indicated that UNFPA generally complied with the standards.

Successor support cost arrangements

51. The UNFPA Governing Council, now the Executive Board, approved a budget of $130.3 million over the period 1992-1995 for technical support services and administrative and operational services, but it stated that the expenditure must not exceed 13.8 per cent of the programmable resources for that period. The Board reported that for the 1992-1993 biennium, UNFPA had kept within the limits. Total expenditure in the period 1992-1995 for technical support services and administrative and operational services was $105.3 million, which was 12.8 per cent of the total programmable resources of $824.4 million. The Board has commented on management aspects of the technical support services arrangements in paragraphs 83 to 106.

Trust funds

52. Two of UNFPA's trust funds had negative balances as at 31 December 1995, totalling $661,440 (see schedule 8). UNFPA's financial regulation 5.2 requires all trust fund activities to be initiated only on a fully funded basis. Adherence to this regulation requires funds to be available before expenditure is incurred. In both funds which showed negative balances, the donors provided funds only after expenditure had been made. The Board recommends that UNFPA adhere more closely to the requirement that trust fund activities be initiated only on a fully funded basis.

Inventories of non-expendable property

53. UNFPA estimated that the value as at 31 December 1995 of its non-expendable property at headquarters and field offices was $3.5 million and $2.5 million respectively. The Board of Auditors found that the field office figure was not reliable.

54. Each field office is required to maintain its own inventory and to notify headquarters of the end-of-year value. As at 31 December 1995, 15 of the 92 field offices had failed to make a return for 1995 and the valuation disclosed in the financial statements was therefore based on their 1994 returns. The situation has improved in comparison with the position as at

31 December 1993, when the Board noted that 53 offices had failed to make a return.

55. The Board noted that internal audit had commented adversely on the maintenance of field office inventories, including a failure to keep them up to date and to check them regularly against the equipment. Also, equipment was not properly kept secure or adequately maintained. The Board considers that UNFPA should make field offices more aware of their responsibilities concerning inventories and the care of equipment.

Write-off of losses of cash, receivables and property and ex gratia payments

56. UNFPA has reported three cases of property losses, totalling $36,615. All cases were dealt with in full compliance with the financial regulations and rules.

Part II: Management issues

Management of national project execution

Introduction

57. In line with General Assembly resolution 44/211 of 22 December 1989, UNFPA has been encouraging the policy of national execution, in which Governments or national non-governmental institutions take on responsibility and accountability for the management and execution of UNFPA-funded projects. These arrangements are increasingly replacing the practice of using an executing agency to implement projects. The aim of national execution is to develop national capacity and to make full use of existing institutions to execute programmes with the goal of fully realizing national potential and attaining self-reliance.

58. In 1992 the Governing Council encouraged UNFPA's continuing commitment to the promotion of national execution. It requested UNFPA to continue to provide financial support, when needed, for personnel training and national institutional capacity-building, as well as appropriate equipment for the successful implementation of national execution. It endorsed the proposed national execution policy guidelines for future UNFPA-assisted country programmes and projects.

59. With national execution, UNFPA recognizes that it needs to place greater emphasis on project monitoring and helping Governments to build capacity. Capacity-building helps Governments develop their own managerial and technical expertise.

60. Expenditure on, and the number of, nationally executed projects increased considerably between 1992 and 1995, as shown in table 2.

Table 2. Nationally executed projects (Governments), 1992-1995

	1992	1993	1994	1995
Nationally executed project expenditure (Governments) (millions of United States dollars)	27.4	21.0	50.5	50.6
Nationally executed project expenditure as a percentage of UNFPA country programme expenditure	26.6	20.0	25.1	21.9
Number of nationally executed projects	365	473	604	806

Source: UNFPA.

Scope of the examination

61. The Board examined how UNFPA had planned for the increasing move to national execution, how it has supported national execution and how it has evaluated the results.

Planning: enhancing national capacity

62. The Executive Director's 1992 report on national execution policy and operational guidelines set out in general terms what needed to be done to enhance the capacity and capability of national institutions. In addition, a consultant's report, also issued in 1992, suggested that national execution would require UNFPA to develop stronger managerial and technical capacity at the country level to oversee national execution and place greater emphasis on assessing country strengths and weaknesses with respect to project management, financial management and technical capacity. The report concluded that country staff levels needed to be sufficient in quantity and quality to handle the increased and more complex workload.

63. UNFPA recognized several constraints to national execution, including administrative and financial management shortcomings in government and other national institutions which would become responsible for implementing UNFPA-funded projects. These shortcomings included inadequate accounting procedures, inadequate supervision of project administration, incomplete financial records of the acquisition and disposal of project equipment, insufficient and delayed reporting, and untimely and inadequate audits. Other constraints on government project execution included limited institutional capacity, which sometimes resulted in weak technical support, inadequate analysis and planning, and insufficient monitoring and evaluation; high staff turnover; weak mechanisms for supervision and control; and insufficient attention to staff development and training.

64. While recognizing these constraints, UNFPA did not make a global assessment of what needed to be done to help Governments and non-governmental institutions achieve self-sufficiency and be able to execute projects efficiently. UNFPA concurs with the Board's observations on the importance and usefulness of a more systematic approach in meeting national execution requirements and helping Governments achieve self-sufficiency. UNFPA has suggested that a global

assessment of national execution and the setting of strategic targets might be best carried out in the context of the United Nations development system in order to focus its collective operative resources on building self-reliance in the relevant countries. To this end, UNFPA explained that it cooperated closely with the other United Nations bodies to identify constraints on national execution and review options for improvements. UNFPA also informed the Board that it has developed a revised approach for the allocation of resources to country programmes which closely aligns the type of assistance provided by UNFPA with the socio-economic and political situation in each country.

65. UNFPA has not developed any detailed guidelines on how to assess and enhance national capacity. The Board is concerned that in the absence of guidelines, there is a risk that field offices will not adopt the most efficient and effective approach. UNFPA agreed with the Board that it should issue such guidance and is now considering developing capacity-building guidelines, based on the ILO's training package, which includes guidelines on assessing and developing national capacity. In addition, in response to the Board's observations, UNFPA has decided to prepare a guidance and strategy paper on national execution. The Board welcomes these developments and trusts that the proposed guidance will establish clear procedures for assessing, globally, what needs to be done to help Governments and national institutions achieve self-sufficiency.

Planning: impact on UNFPA resources

66. UNFPA has not assessed the impact that a move towards national execution would have on UNFPA resources, particularly in the field offices, where the impact was likely to be most significant. It did not identify the particular skills required or the training needs, or assess the impact of national execution on staff resources.

67. For example, UNFPA sought to provide technical support services for country programmes and projects through new arrangements introduced in 1992. It intended the first level of support to come from national expertise and greater use of national experts and institutions. The second level of support was to come from country support teams, which would provide technical support and enhance national capability by training and capacity-building. When UNFPA established these teams, it made no assessment of the resources or skills that would be required to meet the national capability-enhancement role.

68. UNFPA informed the Board that it routinely obtains feedback from field offices on the impact of national execution on UNFPA resources and that, in coordination with other United Nations agencies, it was preparing a report on the matter for the 1996 session of the Economic and Social Council. However, UNFPA agreed with the Board's recommendation that it should make a more systematic assessment of country needs to ensure that it can respond to those needs in a well-planned and effective manner.

Strategic targets

69. UNFPA did not set strategic targets for the rate of introduction of national execution. It considers that, because many of the institutions in developing countries do not yet have all the requisite technical or institutional capabilities to execute projects, implementation of national execution will continue to be selective and gradual. Nevertheless, the Board recommends that UNFPA should set strategic targets for the implementation of national execution.

Developing field office capability

70. In UNFPA's field offices, country support team advisers mainly provide technical support and do not cover the administrative and financial aspects of projects. Consultants advised UNFPA that field offices should be responsible for helping national institutions manage projects, ensuring that project plans are adhered to, that rates of project implementation are maintained and that adequate financial and managerial controls are in place. The consultants considered that field offices lacked the staff to administer and monitor programmes adequately. For example, in the Arab States and Europe region, consultants considered that the continuing weakness of UNFPA field staff reduced the effectiveness of UNFPA's country support teams in capacity-building and in national execution. UNFPA, however, has yet to establish precise responsibilities of field office staff in implementing national execution or to identify what skills are required.

71. The Board analysed reports by internal audit on 28 UNFPA country offices they visited between September 1993 and September 1995. In 10 offices there were difficulties in project monitoring and evaluation, and in 3 offices internal audit identified the need for further training for the UNFPA programme staff. In the light of these findings, the Board considers that UNFPA needs to strengthen the skills and resources of field offices to ensure that they are fully trained and able to implement national execution programmes.

72. Consultants found that the country support teams had little success in meeting the national capacity-building objective because of their heavy workload, the brief nature of missions and the infrequent visits to individual countries. The consultants found that the short term and infrequent nature of the intervention of country support teams in countries actually mitigated against capacity-building. The consultants considered that UNFPA should prioritize the use of personnel of country support teams so that advisers could focus on capacity-building.

73. UNFPA fully agreed with the Board's recommendation that it should determine the role and responsibilities of field staff in relation to national execution and then plan the training and resources required to equip the field offices to fulfil their tasks. UNFPA informed the Board that it had already made efforts to strengthen field office capacity. In 1995 UNFPA initiated new training workshops designed to strengthen the programme and management skills of national programme staff. In addition, UNFPA's 1996-1997 budget provides for a further increase in staff resources allocated to training country office staff, as well as to significant strengthening of field office staff numbers. The Board welcomes UNFPA's commitment to ensuring that country offices are appropriately prepared for their supporting role in national execution.

Developing national capability and accountability

74. UNFPA is developing criteria to help select the most appropriate national executing institutions. These criteria are intended to help Governments and UNFPA define the types of assistance these institutions might need to enhance their execution capabilities. UNFPA fully agreed with the Board's recommendation that it should finalize and issue the draft guidelines on the selection and assessment of institutions for national project execution.

75. Governments or national non-governmental institutions must provide UNFPA with quarterly and yearly financial returns to account for funds provided to them. Internal audit found that in 16 of the 20 UNFPA offices there were

examples of financial returns that were not received, were returned late or were inaccurate. In addition, internal audit found that in many cases the national Government or non-governmental institutions failed to produce annual progress or final project reports. In 13 countries, project inventories were either late or not returned.

76. UNFPA aims to promote greater use of national experts. The Board noted that in Nepal there was a good example of how this policy had worked effectively: project funds had been used to provide a national project financial assistant, which greatly improved the timeliness and quality of the financial returns. In Nepal, national project officers worked closely with the Government's regional offices, with the advantage that projects were monitored, implementation was improved and speeded up, objectives were achieved and national capacity was improved. UNFPA agreed that its experience with using national project staff had been positive in many countries. The Board commends UNFPA's use of national project staff.

Financial control of projects

77. Where Governments or national non-governmental institutions are responsible for executing UNFPA projects, they are financially accountable to the Executive Director for all funds provided to them. Their responsibilities are set out in a letter of understanding, which, along with the project document, forms the basis of the agreement between UNFPA and the executing agency. Internal audit found that in 7 of the 28 offices UNFPA had advanced funds before either a project document or letter of understanding had been signed. In two other offices the letter of understanding and project document did not clearly set out the executing agency's responsibilities. UNFPA fully agreed with the Board's comments and undertook to remind offices of the need for strict compliance with these requirements.

78. In addition, the Board feels more could be done, in conjunction with other United Nations agencies, to improve the audit capability of Governments. The Board is particularly concerned that field offices pay insufficient attention to discussing the audit requirements with the auditors concerned, resulting in some cases in poor quality audit. For instance, internal audit found that in Uganda the audit reports did not meet the required auditing standards and that there were inadequate terms of reference.

79. These problems have continued for some years and have been the subject of comments and recommendations in previous reports of the Board of Auditors. The Board is therefore concerned that there appears to have been little improvement. UNFPA told the Board that as a result of the Board's comments, they have instructed UNFPA's Audit Section to review the matter and prepare relevant guidelines. UNFPA is providing guidelines for reviewing project audit reports. The Board considers that field offices should also be given guidance on how to brief the auditors of national execution projects as a matter of priority.

Evaluation

80. UNFPA's policy and operational guidelines drew on the findings and conclusions of an extensive review and assessment of accumulated experience in the population field, completed in 1989. However, there has been no subsequent evaluation of national execution. In addition, UNFPA prepares annual reports on the progress of its country programmes and projects, which include nationally executed projects, but there is no detailed assessment of nationally executed projects or whether national capability has been enhanced.

81. An evaluation of the technical support services arrangements in field offices examined how well those arrangements had enhanced national execution and made recommendations for improving that aspect of the country support team role. UNFPA has not evaluated the various approaches developed by individual field offices in implementing national execution. The Board considers that such an evaluation should be made and the results incorporated in guidelines for enhancing national capability, which should be issued to field offices.

82. UNFPA fully accepted the Board's recommendation that it evaluate its progress in implementing national execution and the methods used to enhance national capability. UNFPA intends to review the options for undertaking a thematic evaluation of progress in implementing national execution. UNFPA accepted that although project evaluations were carried out, no attempt was made to compare the effectiveness of national project execution with agency or other execution. The Board recommends that such an evaluation be made.

Technical support services arrangements

Introduction

83. Until 1992, UNFPA provided technical support services to country projects largely through a network of regional advisers, based in agency regional offices, and through interregional advisers and technical officers, based at agency headquarters. In addition, UNFPA reimbursed the costs of technical and administrative support services incurred by the United Nations executing agencies on projects they executed for UNFPA at the rate of 13 per cent of annual project expenditure. Under these arrangements, the advisers were under the direction of their parent agencies and UNFPA had little control over how much time the advisers spent on UNFPA programmes.

84. In 1992, UNFPA established new arrangements for providing technical support services to country projects. Under the new arrangements, UNFPA reimbursed the United Nations executing agencies only for the cost of administrative and operational support services, at the rate of 7.5 per cent of annual project expenditure.

85. The new arrangements are intended to strengthen technical services provided in support of country population programmes and projects and to facilitate and continue efforts to bring about the integration of population dimensions into all facets of the activities of United Nations agencies and entities. At the request of country directors, country support team advisers visit countries to provide technical knowledge and expertise on all aspects of the country's population projects and programmes, with the objective of providing aid and support to project implementation and to increase and improve national capacity. The technical support services' specialists and coordinators provide technical advice and state-of-the-art research findings to the country support teams and also act to integrate population matters into the programmes and activities of United Nations agencies.

86. During 1992-1995, expenditure for technical support services, excluding administrative and operational services, totalled some $74.1 million, as shown in table 3. The Executive Board approved a budget for technical support services, excluding administrative and operational services, of $107 million for the period 1996-1999.

Table 3. Technical support services costs, 1990-1995

(Millions of United States dollars)

	Old system	New system				
	1990	1992	1993	1994	1995	1992-1995
Technical support services costs provided by UNFPA	13.9	14.5	17.4	19.4	22.8	74.1
Administrative and operational services costs reimbursed by UNFPA to executing agencies	14.7 a/	8.3 b/	6.5 b/	8.3 b/	8.1 b/	31.2
Total	28.6	22.8	23.9	27.7	30.9	105.3

a/ For 1990, under the old system, executing agencies were reimbursed for technical as well as administrative and operational support services at the rate of 13 per cent of annual project expenditure.

b/ For 1992 and beyond, executing agencies were reimbursed for administrative and operational support services only, at the rate of 7.5 per cent of annual project expenditure.

87. Independent consultants evaluated the implementation of the technical support services arrangements from April to October 1994 with the aim of enabling UNFPA to strengthen further its effectiveness. The consultants focused on: analysing how the three levels of technical assistance were put into effect in order to provide coordinated, effective and timely support for population programmes and policies in selected countries; assessing the effectiveness of mechanisms and procedures; and analysing the coordination and management aspects of technical advisory services of the technical support services arrangements.

88. The consultants considered that the country support team system of advisers represented a major improvement over the old system of regional advisers, providing more effective and timely technical backstopping of UNFPA projects. The consultants found that the country support team concept was generally welcomed by Governments and UNFPA country directors, who expressed satisfaction with the multi-disciplinary nature of the technical support services system and the technical support that had been provided to country projects.

Scope of the examination

89. The Board examined the technical support services arrangements to see if UNFPA had: (a) assessed whether the arrangements were the most cost-effective way of providing technical support; (b) made full use of the staff available; and (c) effected adequate control over the costs of the country support team offices.

Cost-effectiveness

90. When the new technical support services arrangements were introduced in 1992, the main aim was to provide improved services without increasing cost. The cost of the arrangements in 1990 was $28.6 million.

91. While table 3 indicates that the new technical support services arrangements resulted in cost savings in comparison with the previous system, the Board is concerned that cost-effectiveness was not given appropriate consideration when the new system was designed in 1992 nor when it was evaluated by consultants in 1994, and that there remain no routine or systematic means for keeping this important aspect under review.

92. There were indications that advisers had not been fully utilized. For instance, in Addis Ababa in 1993 the estimated mission days outside the country support team office for advisers ranged from 30 to 155, with an average of 87 days in one year. The corresponding figures for Amman for 1993 were 41 to 165, with an average of 110 days. In Dakar, which was overloaded with work, the estimated mission days for 1993 ranged from 57 to 159 per adviser, with an average of 100 days. In Kathmandu, the Board calculated that for the year ending 30 June 1995, the estimated mission days per adviser ranged from 28 to 190, with an average of 106 days. As in Kathmandu, several of the country support teams did not keep records of the days the advisers spent in the field.

93. UNFPA's consultants recommended that UNFPA develop indicators of capacity-building and the impact of country support teams on programmes and projects. The Board considers that performance measures and targets are essential for the proper management of the technical support services arrangements and that without them UNFPA cannot be sure the arrangements are cost-effective. The Board therefore reiterates the recommendation of UNFPA's consultants that UNFPA develop appropriate indicators of capacity-building and impact.

94. The Board estimated that savings of up to $16 million could have been achieved in 1995 if UNFPA had used international consultants instead of the existing country support teams, with the additional benefit that UNFPA could have secured a more flexible and wider range of skills. UNFPA considered, however, that the scope for savings was lower, representing only $13 million in 1995. UNFPA considered that it needed an arrangement based on continuous and readily available expertise, as well as a sound team approach capable of building up know-how, and that the input of consultants is normally a one-time activity, limited in scope and without an institutional base for follow-up support. UNFPA also highlighted the difficulty of securing a sufficient number of high-quality consultants.

95. While the Board recognizes UNFPA's reasons for rejecting a wholesale switch to the use of consultants in place of country support teams, the Board recommends that UNFPA explore the scope for extending the use of consultants in a country support role in order to gain access to fresh skills as well as reduce costs.

Use of national experts

96. Under the technical support services arrangements, country offices should, wherever possible, employ national experts rather than country support teams, in order to strengthen national capacity. The consultants found that national experts were not used to the fullest extent. For example, several country

directors told the Board that national experts were reluctant to take on consultancies at the remuneration offered. National experts are paid on the basis of local pay rates. The Board considers that UNFPA should establish more clearly the reasons why national experts are not being used and, if appropriate, review national pay scales to ensure that they are sufficient to attract suitably qualified candidates.

97. UNFPA informed the Board that it had requested country support teams to develop plans for technical backstopping, in which it expected national consultants to be considered as the first line of expertise. UNFPA was in the process of revising the guidelines on technical support services, which were expected to include both the use of national experts and national capacity-building. The Board welcomes these assurances.

Skills mix of the country support team

98. There were indications that the new system did not entirely meet the specific needs of regional and subregional offices. For example, most of the demands in Asia were for very specialized expertise not available in the technical support services system. In some Asian countries UNFPA's consultants considered that the country support team system, rather than facilitating support to the country programmes, may have impeded them from obtaining appropriate and timely support. In particular, field offices and Governments expressed concern that the new arrangements limited the field offices' freedom to obtain the best person for the job. The consultants considered that the country support team advisers would not be able to replace the very specialized expertise available from international consultants or universities.

99. When the technical support services arrangements started, the initial skills mix was determined by the inter-agency task force, which filled posts on the basis of the available staff rather than on that of meeting the regional needs. The consultants found that in nearly all the country support teams there was an imbalance of work between the various disciplines. In most cases, the composition of the country support teams did not match the region's requirements. For example, in virtually all the country support teams the consultants visited, they observed that maternal and child health/family planning skills represented too small a proportion of the staff numbers, given the importance of the sector to UNFPA programming. Information, education, communication and the data-collection sectors were adequately staffed or overstaffed.

100. The consultants' evaluation report set out ways of achieving better utilization of the skills mix and expertise of advisers. The countries' needs should be assessed as a basis for determining the number of specialist posts required in each country support team and the knowledge and skills necessary for those posts. UNFPA has now asked country directors to identify the countries' technical needs as a basis for reviewing the composition of country support teams.

101. The Board considers that UNFPA should monitor the countries' needs and ensure that the country support teams change accordingly so that they can more quickly respond to changes in countries' needs. UNFPA recognized that the usefulness and utilization of the teams required continuous review and adaption. Some changes were already under way, including the assignment of advisers to new areas. In addition, UNFPA's geographic divisions ensured that country support team work plans properly reflected the issues arising from country programme formulation, as well as the results of monitoring. While the Board welcomes

these assurances, it recommends that UNFPA establish and periodically review countries' needs and ensure that the resources of country support teams are adjusted accordingly.

102. There were indications that advisers were being used in ways that did not always make full use of their expertise. They were used more for project formulation than for providing the technical help needed to implement a project. In many cases, this was because the advisers' activities were not fully planned or prioritized. UNFPA needs to establish better criteria and a priority system for utilizing country support team personnel to ensure that the expertise of advisers is fully utilized in a cost-effective manner. UNFPA told the Board that in 1995 it instituted a new process for evaluating advisers' performance which included each country office's assessment of its experience in utilizing the respective country support team member.

Specialists and coordinators of the technical support services

103. Specialists and coordinators of the technical support services cost some $5.6 million in 1994 and $7.2 million in 1995. These costs, included within the overall costs in table 3, contribute considerably to the overhead costs of the country support team advisers. The consultants found that the technical support services specialists were used unsystematically or in a poorly planned manner and that they were not meeting many of their objectives, such as providing state-of-the-art research, updating advisers and assisting in research, evaluation and monitoring. UNFPA, together with the other partner agencies, is planning to assess the performance of technical support services specialists and coordinators and the need to refine and strengthen their role. The Board welcomes UNFPA's response, but suggests that any changes take full account of the need to reduce costs and increase cost-effectiveness.

Control of running costs

104. The technical support services costs in table 3 include the running costs of the country support team offices, which for the period 1992-1995 amounted to $11.2 million. UNFPA's Planning and Coordination Division has overall responsibility for technical support services arrangements, controlling the country support team budgets and monitoring their monthly expenditure returns.

105. The offices were established at different times, and there was higher expenditure in the early years because of initial setting-up costs. In addition, the location of some offices was governed by the need to be close to other United Nations establishments. However, most of the offices showed a marked cost increase over the four-year period, and the costs for several offices increased three or fourfold over the period. Two offices with costs over the four years of $2.2 million and $2.1 million, respectively, incurred almost twice the average costs of other offices, which was $1.1 million over the four-year period.

106. The Board was pleased to note that the Santiago office had taken steps to identify reasons for its high running costs and was examining ways of reducing them. The Board considers that all country support team offices should examine closely their running costs and investigate any large variances. UNFPA fully agreed with the Board's recommendation that it should review the running costs of country support team offices and exercise tight control, including establishing performance targets and measures to provide standards against which the offices can compare their costs. UNFPA pointed out to the Board that

country support team offices were subject to normal accountability requirements, including periodic review by internal audit.

Management of interregional projects

Introduction

107. Interregional activities are those which have a relevance, applicability and potential replicability in more than one region or in all regions. Because of their design, substantive content and potential benefit to a large number of countries, they are more appropriately funded on a broader basis than within the framework of a single country programme.

108. UNFPA regards the primary focus of the 1992-1995 interregional programme as helping developing countries keep up with the latest technical and methodological developments in population and related fields and providing those countries with the technical expertise required to carry out population activities at the country level.

109. The 1992-1995 interregional expenditure figures and their percentage of total programme expenditure are set out in table 4.

Table 4. Interregional expenditure, 1992-1995

Interregional projects	1992	1993	1994	1995	Total
Expenditure (millions of United States dollars)	18.1	22.3	32.5	36.6	109.5
Percentage of UNFPA's programme expenditure	12	15	14	14	14

Interregional programme expenditure for 1992-1995 amounted to $109.5 million. The table shows that over the period, on average, 14 per cent of programme resources was allocated to interregional projects. The budget for the 1996-1999 interregional programme is $102 million. The executing agencies' share of interregional programme expenditure in 1992-1995 is set out in table 5.

Table 5. Interregional expenditure, 1992-1995, by executive agency

(Percentages)

Executing agency	1992	1993	1994	1995
United Nations agencies	40.4	38.2	30.8	28.1
UNFPA	24.9	26.7	31.4	30.3
Non-governmental organizations	31.8	34.0	35.7	41.0
Governments	2.9	1.1	2.1	0.6
Total	100.0	100.0	100.0	100.0

The United Nations agencies' share of the interregional expenditure fell from 40 per cent in 1992 to 28 per cent in 1995. UNFPA's proportion rose from 25 to 30 per cent and the share of non-governmental organizations increased from 32 to 41 per cent. This is in line with the UNFPA's shift in emphasis towards non-governmental organizations and towards commissioning some research directly.

Scope of the examination

110. The Board examined projects to see if UNFPA followed procedures designed to ensure the cost-effective and efficient delivery of projects. In particular, the Board checked to see whether UNFPA had:

(a) Ascertained that the project's aims and objectives were consistent with those of UNFPA and the interregional programme and that, where possible, they were quantifiable;

(b) Assessed whether the executing agency was best placed to manage the project and whether the most cost-effective approach was used;

(c) Ensured that the project was adequately monitored and that progress reports and work plans were received so as to ensure that objectives were achieved on time and within budget; and

(d) Evaluated the project by assessing the quality and use made of the output, the performance of the executing agency and the achievement of the objectives.

111. The Board examined 17 of the larger projects managed by UNFPA's Technical and Evaluation Division in the 1992-1995 cycle. A total of $39.4 million had been expended on those projects in the 1992-1995 period, including allocations for 1995.

Project formulation

112. In only 1 of the 17 cases examined did UNFPA record evidence to confirm that it had considered whether the executing agency was the most suitable body to implement the project. In nine cases, the main reason for choosing the executing agency appeared to be that the proposed project followed on from a previous project. In the remaining seven cases, there was no documentary justification to support the choice of executing agency, although UNFPA informed the Board that it held substantive discussions with the agencies prior to appointing them. UNFPA also stressed that certain activities could only be undertaken by a specific organization and that the number of organizations with distinct comparative advantages in the population field was fairly small. UNFPA, however, agreed with the Board's recommendation that it should give more consideration to whether a selected executing agency was best suited to a project, whether all alternatives had been assessed and whether the most cost-effective approach had been chosen. UNFPA regarded this as particularly relevant in the case of less well-established agencies.

113. A baseline study is a survey identifying the pre-project position, the needs, the potential recipients and the best and most cost-effective means of reaching them. No such study had been undertaken in any of the 17 projects examined, even though the Project Review Committee had suggested that this be done in one particular project and in another case the implementing non-governmental organization considered that such a study should have been made. Similarly, in the case of support for publications, there was no evidence

that UNFPA or the executing agency had undertaken readership surveys to establish the size of the readership, the use made of the publications or their quality, even though the Project Review Committee had suggested that such a study be conducted in one case.

114. The Board noted that in only three projects examined was there a clear statement of how the project would meet either UNFPA's overall aims or those of the interregional programme. UNFPA informed the Board that it considered that project formulation should continue to be undertaken by the executing agency but nevertheless agreed with the Board's recommendation on the need for more involvement in the project formulation process, especially with regard to the incorporation of UNFPA's overall objectives and the goals of the intercountry programme. The Board welcomes UNFPA's commitment to ensuring that goals and objectives are clearly recognized at the project formulation stage. In the Board's view, the project's objectives should, where possible, be set out in clearly quantifiable and qualitative terms. The Board recommends that, where appropriate, UNFPA should use baseline studies to identify the need for and the potential recipients of the project.

115. The project formulation guidelines require that each project has a work plan, which should include a list of the planned major activities against specific objectives. It should also indicate the specific outputs and indicators of progress, the starting date and duration of each activity, and the person responsible for each activity. Such information permits effective monitoring and evaluation of a project's progress. Eleven of the 17 projects examined included a work plan but, of these, only 6 conformed to the guidelines; the remainder were of poor quality. While several projects generally specified the quantity and quality of the planned output, the remaining projects generally failed to set out clear, measurable outputs. UNFPA told the Board that it will seek to address the Board's concerns in its revised project formulation guidelines.

Project monitoring

116. In most of the projects examined there were clear records that projects were being regularly monitored, but in a few cases there was no documentary record of the monitoring process and results. In several cases, despite meetings with agencies and the presence of progress reports, there was no record of any UNFPA assessment of the performance, the quality of the outputs or progress towards the achievement of the objectives. Although the Board was assured that such projects had been properly monitored, the Board considers it essential for proper records to be maintained.

117. Where progress reports had been prepared, they did not readily identify whether the project was running to the agreed timetable and within budget. Although most projects were within budget, this tended to reflect the nature of the funding agreements, which in most cases provided a fixed, limited sum in support of a programme. These funding agreements did not, however, link a specified output, defined in terms of quantity and quality, to the agreed level of expenditure. In the absence of clear work plans setting out the scheduled progress of the project, it was difficult to ascertain from the progress reports whether the objectives were being achieved. Only two of the projects examined set out clearly the progress of the project relative to expenditure.

118. UNFPA agreed with the Board's recommendation on the need to improve monitoring of interregional projects. In particular, the Board recommends that there should be more active involvement by the project officer in obtaining

independent evidence of the project's progress, its quality, whether it is reaching the intended recipients and whether the objectives are being achieved. UNFPA accepted that work plans were critical to this process and was already addressing this issue by placing more emphasis on the preparation of work plans in the revised project formulation and monitoring guidelines. The need for sound work plans would also be reflected in the new intercountry programme guidelines.

Project assessment and evaluation

119. In eight of the projects examined, there was no assessment of whether the project's objectives had been achieved, or whether the outputs had been of value or had reached their intended recipients. In those projects where evaluations had been made, a number of significant problems were identified. For example, on WHO projects there were major problems with the distribution of reports and publications because the mailing list was out of date and inaccurate. These problems were being addressed by WHO, as were the other matters raised by the evaluations. In the case of the global training programme, the evaluation identified problems such as too few people being trained to meet the needs of developing countries and those who had been trained being too thinly spread and in the wrong positions to influence their countries' development planning process. These problems were being addressed and the lessons learned had been applied subsequently to other projects.

120. UNFPA is aware that past evaluations had proved valuable in identifying project deficiencies, and it accepts that more evaluations, especially independent ones, need to be undertaken. Following the Board's comments, UNFPA has already taken steps to ensure that evaluations, at least for all major projects, are a priority. In addition, UNFPA undertook to give increased attention to ensuring that interregional projects were included in evaluation plans. The Board commends these actions.

Selection and use of consultants

Introduction

121. UNFPA policy is to recruit international consultants for specific assignments where they bring knowledge, skills, experience and independence not available within the Fund. In 1994-1995, UNFPA spent an estimated $2.1 million on consultancy fees for 262 international consultants, from 49 countries, employed on assignments by country offices and at headquarters.

122. The Division for Finance, Personnel and Administration of UNFPA is responsible for hiring international consultants and for issuing special service agreements and reimbursable loan agreements, under delegated authority. UNFPA is devolving administrative responsibilities to country offices and will review the possibility of developing guidelines for the use of special service agreements, including the decentralized recruitment of international consultants.

Scope of the examination

123. The Board examined a sample of 25 consultancies used during the 1994-1995 biennium. The Board reviewed each stage of the process, from establishing need, searching for candidates and selection, to the management and final evaluation

of performance. The Board focused on whether UNFPA procedures were adequate and whether sufficient management and financial control was exercised.

Establishing need

124. In all but one of the cases examined, the consultants provided essential expertise demonstrably not available within UNFPA. In the one exception, the Board considered that the consultant was employed to carry out routine work which approximated the job description of a programme officer. The Board was nonetheless broadly content that consultants were only employed when it had been established that internal resources could not provide the expertise and independence required and that the assignment extended beyond UNFPA's routine work.

Defining requirements

125. The requesting unit, either a headquarters division or a country office, is responsible for establishing the need for a consultancy and for drafting the terms of reference. The Board noted that the quality of the terms of reference varied. In 40 per cent of cases, they failed to provide specific targets and delivery dates against which the performance of consultants could be measured and their fees paid. For example, in three cases the terms of reference only provided a high-level description of the nature and objectives of the work without specific milestones and outputs. This undermined the ability of UNFPA to assess whether the consultants had achieved their objectives both in terms of quality and cost.

126. UNFPA fully agreed with the Board that clear and precise terms of reference were an essential prerequisite to the selection of consultants and the evaluation of their performance. It recognized that there were weaknesses in this area and will prepare guidelines to assist requesting units in the development of adequate terms of reference for the recruitment of international consultants. The Board recommends that the Division of Personnel set clear criteria for terms of reference and ensure that they are met.

Search for candidates

127. Requesting units are responsible for identifying candidates once they have drawn up terms of reference. The Board found that in 60 per cent of cases, candidates for an assignment were identified either from personal contacts or from recommendations. The Board accepts that in a specialized field this is an important means of identifying suitable consultants for assignments. However, the Board considers that UNFPA should have access to a wider range of candidates to ensure independence of selection and to improve the prospects of securing good value for money.

128. To identify appropriate candidates quickly and independently, UNFPA's Technical and Evaluation Division maintained a computerized international consultants' roster which was updated and sent to field offices and country support teams annually. The roster contained the personal details, expertise and experience of 550 consultants and could be used to find those who met criteria relating to specific skills and expertise. The Board was, however, concerned to find that no requesting officer or country director had cited the roster as a source for candidates. The Board found that 77 per cent of consultants used in the 1994-1995 biennium were not included in the roster.

129. There were no formal guidelines for maintaining the roster, and the Board found that names were added only on an ad hoc basis. The Board was, however, encouraged to note that the Technical and Evaluation Division had requested that all country support teams ensure that consultants used by UNFPA should be included in the roster.

130. UNFPA fully concurred with the Board's recommendations that:

(a) guidelines should be issued requiring requesting units to make full use of the international roster;

(b) all international consultants used by UNFPA should be included in the roster unless their performance is unsatisfactory;

(c) the roster should include those consultants on regional rosters with potential use at the international level;

(d) there should be routine procedures for updating the roster;

(e) there should be procedures for deleting names of candidates no longer available or whose performance is below standard.

UNFPA agreed that the Technical and Evaluation Division would explore ways of enhancing the effectiveness and use of the roster, including the use of performance evaluation criteria.

131. UNFPA agreed with the Board's recommendation that the Technical and Evaluation Division should establish closer communication with divisions and country offices so that all suitable consultants are added to the international roster as they are identified. UNFPA also agreed with the Board's recommendation that the Technical and Evaluation Division should, jointly with the Geographical Division, review the roster on a semi-annual basis.

Making the selection

132. In 26 per cent of the cases examined, only one candidate had been identified for the assignment. The explanations given for proceeding to sole candidate recruitment were mainly that the consultant was personally recommended by UNFPA staff (68 per cent), that the expert was the recognized authority in the field (16 per cent) and that the contract followed on from one previously issued (16 per cent). The Board recognizes that, faced with highly technical skill requirements, the "pool" of alternative candidates is limited.

133. In response to the Board's recommendation that UNFPA challenge more rigorously all proposals from requesting units for sole candidate recruitment of consultants, UNFPA informed the Board that the adoption of standard selection procedures and a competitive selection process may not be feasible. UNFPA considered that, as the Division of Personnel thoroughly reviewed the proposals submitted by requesting units, the basic safeguards were in place and that problematic cases should be handled on an individual basis. While the Board recognizes the need for flexibility in selecting consultants, it considers that there remains scope for wider consideration of candidates to improve competition. The Board recommends that UNFPA review its selection procedures accordingly.

Managing the consultants

134. Requesting units are responsible for managing the work of consultants. In the sample examined, the Board found evidence that requesting units were not closely monitoring the work of the consultants. In one case, the Board's examination revealed that the requesting unit was unaware that the consultant had abandoned the assignment. The unit had written to the consultant requesting submission of the report three months after the expected conclusion of the consultancy. Although the consultant did not respond, no further action was taken by the unit. In this particular case the Division of Personnel had not received notification to cancel the special service agreement. Following a recommendation by the Board of Auditors, UNFPA reminded senior staff of the need to follow diligently the procedures for supervising consultants.

Evaluating performance

135. The requesting unit is responsible for completing consultancy assessment questionnaires following each assignment. The Board found that 58 per cent of assessments examined consisted only of a simple scoring of the consultant's effectiveness. In the Board's view, these scores were of limited usefulness, as 89 per cent were assessed as "very good" or "excellent" and the remainder were "good". Such assessments did little to assist in future decisions about a consultant's suitability for a subsequent assignment. UNFPA fully agreed with a recommendation by the Board that evaluating officers should be required to give greater attention to the completion of assessment forms and that, as a minimum, the consultant's strengths and weaknesses should be identified. UNFPA agreed to review the scope for achieving further improvements in this area.

136. In 43 per cent of the cases examined, the Board was concerned to find that the requesting officer was also responsible for evaluating the performance of the consultant. This raised questions about the objectivity of the evaluation. UNFPA agreed with the Board's recommendation that, ideally, a consultant's performance should be evaluated or reviewed by someone who had not been involved in the selection process. UNFPA considered, however, that in practice it was difficult to institute such an arrangement, given the limited number of staff familiar with a particular consultancy.

137. In the Board's view, the consultancy assessment questionnaire should have two purposes: to confirm that the work has been completed to an appropriate standard, and to inform UNFPA of the suitability of the consultant to undertake future assignments. In the cases examined, the Board was concerned that evaluating officers had failed to specify whether the consultant's work had met the agreed task objectives. As a consequence, UNFPA could not ensure that the consultant had fully discharged all areas agreed in the terms of reference. UNFPA accepted the Board's recommendation and agreed to change the assessment forms to cover this point. In addition, the Board was concerned that the Division of Personnel did not routinely provide the administrator of the international roster with feedback on the consultant's performance following the completion of an assignment. UNFPA agreed that the system needed strengthening and proposed that the Division of Personnel routinely copy assessment forms to the officer responsible for maintaining the consultant's roster.

Level of remuneration

138. UNFPA has prepared guidance on levels of consultancy fees per day worked, based on consultancy fee levels set and periodically reviewed by UNDP. To ensure uniformity of fees for international consultants, the Division of

Personnel has responsibility for negotiating the fee with each consultant or corporate body. The Board was satisfied that the guidelines were adhered to and that fees were properly negotiated.

Cases of fraud and presumptive fraud

139. No cases of fraud or presumptive fraud were reported to the Board.

Acknowledgement

140. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director of the United Nations Population Fund and her staff.

(Signed) Osei Tutu PREMPEH
Auditor General of Ghana

(Signed) Sir John BOURN
Comptroller and Auditor General of the United Kingdom of Great Britain and Northern Ireland

(Signed) Vijay Krishna SHUNGLU
Comptroller and Auditor General of India

31 July 1996

ANNEX

Follow-up action taken by UNFPA to implement the recommendations of the Board of Auditors in its report for the biennium ended 31 December 1993 a/

Recommendations of the Board of Auditors	Measures taken by the Administration	Comments of the Board
(a) All disbursement reports received before the closure of the accounts should be reflected in the correct year of account.	A circular effective 1 January 1995 (UNFPA/CM/93/88/Add.1/Rev.1) instructed all offices on the procedures to be followed to ensure that disbursement reports are recorded in the accounting period to which they relate.	The Board has found no examples of disbursement reports being received before the closure of the accounts and not being entered in the correct year of account.
(b) UNFPA should ensure that disbursement reports from agencies are returned promptly and that the funds advanced to agencies are in accordance with their needs.	UNFPA increased its efforts to ensure that disbursements reports are returned promptly. Country offices are reminded regularly to manage advances judiciously and to follow up closely on unexpended advances with the executing agency.	The Board is still concerned at the high level of outstanding operating funds provided to executing agencies, particularly Governments, and is not convinced that enough has been done to follow up unexpended advances. The Board has commented elsewhere in the present report on outstanding advances and on financial control of nationally executed projects.
(c) In future, trust fund interest should be credited to the fund in the year it is earned.	The change in policy was effected in 1995.	UNFPA has correctly credited trust fund interest to the fund in the year it was earned.
(d) Future programme reviews and strategy development exercises should include a full evaluation of past programme performance.	UNFPA discussed the need for a stronger focus on past programme evaluation with programme and technical staff at the UNFPA global meeting in June 1995. Revised programme reviews and strategy development guidelines are expected to be available for the 1996 exercises.	UNFPA will not be issuing guidelines until late in 1996; the Board will examine them and intends to assess their impact on subsequent programme reviews and strategy development exercises.
(e) With regard to the continuing problems with project design and formulation, greater effort should be devoted to training, particularly for field staff.	UNFPA expanded its staff training programme with the recruitment of a full-time training officer in August 1994. Annual refresher training for national programme officers, covering all aspects of programme management, was initiated in 1995. A programme procedures' training handbook and an updated programme cycle document are being prepared to help staff apply UNFPA guidelines properly.	The Board confirmed that the national programme officers' courses place greater emphasis on project formulation and monitoring. All officers should receive the training over the next two years. As the Board has noted elsewhere in the present report, more should be done to assess the field office staff's skills requirement so that the training can be matched to the need. The Board confirmed that the handbook should be available later in 1996 and would examine it then.

Recommendations of the Board of Auditors	Measures taken by the Administration	Comments of the Board
(f) Project appraisal procedures should be applied more vigorously at all levels.	UNFPA has established field-level project appraisal committees and bimonthly reviews of decentralized approvals by the Project Review Committee at headquarters. Improvements are also expected from the refresher training of programme staff, the involvement of country support teams in project formulation and appraisal, and the initiation of policy application reviews to assess the compliance of country offices with UNFPA's programming policies and procedures.	The Board examined the Project Review Committee's minutes and confirmed that all projects have been subject to more vigorous scrutiny. The Board welcomes the introduction of the policy application reviews and intends to examine the results in 1996-1997.
(g) During project planning, more attention should be paid to assessing the capabilities of the executing agencies.	National execution guidelines and criteria on assessing national institutions' capabilities are being prepared. In October 1995, UNFPA instituted new selection and accreditation procedures for non-governmental organizations as executing agencies. UNFPA has initiated an evaluation of executing agencies' performance in preparation for a report to the Executive Board in 1997. UNFPA intends using the findings to improve the selection process for executing agencies.	The Board will examine the guidelines and criteria when they are available and intends seeing how well they are applied in the field. The Board is pleased to see that there is to be an evaluation and looks forward to examining the results and the action taken on the report.
(h) Project documents should include a statement of the requirements expected of executing agencies. UNFPA should monitor performance against those statements.	UNFPA's revised project formulation and appraisal procedures will include establishing detailed project execution work plans. The new procedures were expected to be submitted to the Policy and Planning Committee in June 1996.	The Board has not yet had a chance to examine the new procedures but will do so when they are available and intends assessing how well they work.
(i) The policy of providing brand products on request should be reviewed in the light of the significant potential savings arising from the substitution of equivalent formulation products.	On 15 November 1994, UNFPA's Policy and Planning Committee reviewed the policy on brand contraceptives and it was agreed that in this area of procurement, medical issues and users' preference had to receive equal consideration with cost factors. WHO/HRP b/ have been asked for medical guidance which will form the basis for future procurement decisions. In the meantime, the revised procurement procedures highlight the need for justification of requests for specific brands/models.	The Board welcomes UNFPA's review and fully accepts that medical issues and users' preference are important and should have equal consideration with cost factors. However, the Board considers that the alternative product should be purchased whenever it is the same formulation and significantly cheaper. It recommends that there should be specific guidelines on those cases where brand products can be purchased in preference to the cheaper equivalent formulation products.

Recommendations of the Board of Auditors	Measures taken by the Administration	Comments of the Board
(j) UNFPA should take full advantage of the benefit accruing from coordinating procurement activity.	UNFPA has strengthened the Fund's capacity for coordinated contraceptive procurement by recruiting project personnel for the Procurement Unit. It has also initiated a global contraceptive commodity programme, the implementation plan for which was to be finalized shortly.	The Board welcomes the initiation of the new programme and will be watching to see how well it works and what benefits accrue.
(k) All future information technology projects should be subject to cost benefit analysis.	UNFPA has included indicators for cost benefit assessments in its 1995-1998 Management Information Systems (MIS) Strategy, which was approved by the Information Technology Steering Committee in September 1995. UNFPA has also sought the advice of UNDP and the Joint Inspection Unit on cost benefit analysis. The Joint Inspection Unit is assessing the experience of other organizations with cost benefit analysis and will inform UNFPA of the outcome.	The Board is concerned that the 1995-1998 MIS Strategy was not subject to cost benefit analysis. A conservative estimate of the staff cost saved since 1990 as a result of the introduction of automation would be $2.5 million a year. The estimated cost for 1996-1997 of new office automation equipment and the development of new software is $3.4 million. Even on a conservative estimate of the continuing staff savings, the new strategy would appear to be cost-effective.

a/ Official Records of the General Assembly, Forty-ninth Session, Supplement No. 5G (A/49/5/Add.7), sect. II, para. 9.

b/ Special Programme of Research, Development and Research Training in Human Reproduction.

III. AUDIT OPINION

We have examined the following appended financial statements, numbered I to IV, properly identified, schedules 1 to 8 and the supporting explanatory notes of the United Nations Population Fund for the biennium ended 31 December 1995 in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency, except that the scope of our work was limited by the matters referred to below and as explained in paragraphs 46 to 48 of the present report. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

Except for the effect of any adjustments that may be found to be necessary upon receipt of outstanding audited expenditure statements from Governments and non-governmental organizations, it is our opinion that the financial statements present fairly the financial position of the United Nations Population Fund as at 31 December 1995 and the results of its operations for the financial period then ended; that they were prepared in accordance with the stated accounting policies which were applied on a basis consistent with that of the preceding financial period; and that the transactions were in accordance with the Financial Regulations and the relevant legislative authority.

In accordance with our usual practice, we have issued a long form report on our audit of the United Nations Population Fund's financial statements, as provided for in the Financial Regulations.

(Signed) Osei Tutu PREMPEH
Auditor General of Ghana

(Signed) Sir John BOURN
Comptroller and Auditor General of the United Kingdom of Great Britain and Northern Ireland

(Signed) Vijay Krishna SHUNGLU
Comptroller and Auditor General of India

31 July 1996

IV. CERTIFICATION OF THE FINANCIAL STATEMENTS

24 April 1996

I certify that to the best of my knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the appended financial statements, numbered I to IV, and supporting scheduled, numbered 1 to 8.

(Signed) Imelda HERKIN
Director
Division for Finance, Personnel
and Administration
United Nations Population Fund

(Signed) Alan POTTER
Acting Director
Division of Finance
United Nations Development Programme

V. FINANCIAL STATEMENTS FOR THE BIENNIUM ENDED 31 DECEMBER 1995

STATEMENT I

UNITED NATIONS POPULATION FUND

Statement of income and expenditure
for the biennium ended 31 December 1995
with comparative figures for the biennium ended 31 December 1993

(United States dollars)

1992-1993			1994-1995
	INCOME		
	Contributions from Governments and other contributors		
450 450 828	Pledges for current biennium	(schedule 1)	558 053 282
(317 506)	Additions and adjustments to pledges for prior bienniums (net)	(schedule 1)	(138 964)
77 252	Exchange adjustments on collection of contributions		(254 967)
450 210 574			557 659 351
267 297	Cost-sharing contributions		564 995
450 477 871			558 224 346
7 336 767	Miscellaneous income (net)	(schedule 2)	19 630 950
457 814 638	TOTAL INCOME		577 855 296
	EXPENDITURE		
	Programme expenditure		
262 513 467	Project costs		432 336 109
31 931 001	Technical support services		42 304 766
9 913 400	Administrative and operational services		6 813 415
4 936 209	UNFPA support costs		9 594 406
309 294 077		(schedule 3)	491 048 696
87 717 821	Administrative and programme support services biennial budget expenditure (net)	(schedule 6)	95 382 925
397 011 898	TOTAL EXPENDITURE		586 431 621
60 802 740	Surplus income/(expenditure)	(statement III)	(8 576 325)

The accompanying notes are an integral part of the financial statements.

STATEMENT II

UNITED NATIONS POPULATION FUND

Statement of assets and liabilities as at 31 December 1995
with comparative figures as at 31 December 1993

(United States dollars)

1993			1995
	ASSETS		
179 143	Cash		2 051 723
	Investments		
65 596 744	General resources		71 584 177
99 585	Cost-sharing		202 522
23 969 329	Trust funds		48 670 688
5 000 000	Investments of the reserve for field accommodation		4 000 000
48 000 000	Investments of the operational reserve		63 000 000
142 665 658		(schedule 7 and note 15)	187 457 387
142 844 801	Total cash and investments		189 509 110
	Advances and accounts receivable		
187 488	Non-convertible currencies pending United States dollar credit from UNDP	(note 6)	29 536
4 425 028	Operating funds provided by UNFPA to executing agencies		1 730 701
16 584 928	Operating funds provided by UNFPA to Governments		14 414 246
6 077 675	Operating funds provided by UNFPA to intergovernmental institutions and other agencies, including non-governmental organizations		5 983 795
1 257 671	Accounts receivable and deferred charges	(note 9)	1 160 775
1 102 436	Accrued interest		2 782 352
29 635 226			26 101 405
812 595	Pledges receivable from Governments for current and prior bienniums	(schedule 1 and note 2)	629 637
-	Assets held in reserve for field accommodation	(note 11)	1 000 000
173 292 622			217 240 152
	LIABILITIES, RESERVES AND UNEXPENDED RESOURCES		
	Liabilities		
1 897 577	Accounts payable	(note 9)	2 126 481
5 003 788	Operating funds payable by UNFPA to executing agencies		5 724 309
37 379 545	Unliquidated obligations of executing agencies	(note 7)	81 050 527
19 728 475	Due to UNFPA trust funds	(schedule 8)	23 667 417
343 535	Junior Professional Officers programme	(note 8)	205 797
8 675 812	Due to UNDP		12 778 056
73 028 732			125 552 587
	Reserves		
5 000 000	Reserve for field accommodation	(note 11)	5 000 000
48 000 000	Operational reserve	(note 12)	63 000 000
53 000 000			68 000 000
	Unexpended resources		
99 585	Cost-sharing	(statement III)	202 522
47 164 305	General resources	(statement III)	23 485 043
47 263 890			23 687 565
173 292 622			217 240 152

The accompanying notes are an integral part of the financial statements.

STATEMENT III

UNITED NATIONS POPULATION FUND

Statement of movement in resources for the biennium ended 31 December 1995

(United States dollars)

	Cost-sharing	General resources	Total	
Balance as at 1 January 1994	99 585	47 164 305	47 263 890	
Income received	564 995	577 290 301	577 855 296	a/
Less: Expenditure				
Programme expenditure	462 058	490 586 638	491 048 696	
Administrative and programme support services	-	95 382 925	95 382 925	
	462 058	585 969 563	586 431 621	a/
Surplus income/(expenditure)	102 937	(8 679 262)	(8 576 325)	a/
Transfer to operational reserve	-	(15 000 000)	(15 000 000)	
Balance as at 31 December 1995 (statement II)	202 522	23 485 043	23 687 565	

a/ As shown in statement I.

The accompanying notes are an integral part of the financial statements.

STATEMENT IV

UNITED NATIONS POPULATION FUND

Statement of changes in financial position for the biennium ended 31 December 1995
with comparative figures for the biennium ended 31 December 1993

(United States dollars)

1992-1993			1994-1995
	SOURCE OF FUNDS		
17 037 245	Increase in other liabilities		47 701 090
-	Increase in operating funds payable to executing agencies (net)		3 414 848
11 634	Increase in funds payable to UNDP		4 102 244
-	Decrease in operating funds provided to Governments (net)		2 170 682
-	Decrease in operating funds provided to intergovernmental institutions and other agencies, including non-governmental organizations (net)		93 880
809 024	Decrease in pledges receivable from Governments		182 958
3 642 567	Decrease in operating funds provided to executing agencies (net)		-
60 802 740	Surplus income for the biennium		-
82 303 210	Total funds provided		57 665 702
	APPLICATION OF FUNDS		
-	Surplus expenditure for the biennium	(statement I)	8 576 325
1 367 459	Increase in other receivables		1 425 068
-	Decrease in reserve for field accommodations		1 000 000
9 624 207	Increase in operating funds provided to Governments (net)		-
-	Increase in operating funds provided to intergovernmental institutions and other agencies, including non-governmental organizations (net)		-
3 741 995			-
14 733 661	Total funds used		11 001 393
67 569 549	Increase in cash and investments		46 664 309
75 275 252	Cash and investments at beginning of the biennium		142 844 801
	Increase/(decrease) in:		
(121 020)	Cash		1 872 580
67 690 569	Investments		44 791 729
67 569 549			46 664 309
142 844 801	Cash and investments at end of the biennium	(statement II)	189 509 110

The accompanying notes are an integral part of the financial statements.

SCHEDULE 1

UNITED NATIONS POPULATION FUND

Status of voluntary contributions pledged as at 31 December 1995

Donor	Balance due as at 1 January 1994 for prior bienniums	Additions and adjustments for prior bienniums	Pledges for 1994 and 1995	Pledges for future bienniums: Local currency	Pledges for future bienniums: United States dollars	Total	Payments received	Unpaid pledges as at 31 December 1995	Composition of balance due: For current and prior bienniums	Composition of balance due: For future bienniums
Afghanistan	5 520	-	5 400	-	-	10 920	-	10 920	10 920	-
Albania	552	27	-	-	-	579	-	579	579	-
Algeria	-	(1 334)	13 554	300 000	6 110	18 330	-	18 330	12 220	6 110
Angola	-	-	608	-	-	608	608	-	-	-
Antigua and Barbuda	-	-	1 000	-	1 000	2 000	500	1 500	500	1 000
Australia	-	-	3 815 778	4 000 000	3 007 519	6 823 297	3 815 778	3 007 519	-	3 007 519
Austria	-	-	1 421 000	-	-	1 421 000	1 421 000	-	-	-
Bahamas	500	-	-	-	-	500	-	500	500	-
Bangladesh	20 000	-	45 000	-	25 000	90 000	65 000	25 000	-	25 000
Belgium	-	-	4 171 820	70 000 000	2 372 881	6 544 701	4 171 820	2 372 881	-	2 372 881
Benin	4 000	-	3 000	-	2 500	9 500	-	9 500	7 000	2 500
Bhutan	-	-	5 600	-	2 800	8 400	2 800	5 600	2 800	2 800
Bolivia	45 600	(49 600)	8 000	-	-	4 000	-	4 000	4 000	-
Botswana	-	-	1 887	-	-	1 887	1 887	-	-	-
Brazil	-	-	30 000	-	15 000	45 000	15 000	30 000	15 000	15 000
Bulgaria	1 774	(36)	1 664	55 000	814	4 216	1 774	2 442	1 628	814
Burkina Faso	10 134	(7 930)	12 025	-	-	14 229	-	14 229	14 229	-
Canada	-	-	17 100 330	-	-	17 100 330	17 100 330	-	-	-
Cape Verde	-	-	1 991	-	-	1 991	1 991	-	-	-
Central African Republic	2 365	(942)	-	-	-	1 423	-	1 423	1 423	-
Chad	11 000	(11 000)	-	-	-	-	-	-	-	-
Chile	10 000	-	10 000	-	6 000	26 000	10 000	16 000	10 000	6 000
China	-	-	1 620 000	-	-	1 620 000	1 620 000	-	-	-
Colombia	-	-	80 000	-	40 000	120 000	80 000	40 000	-	40 000
Comoros	5 743	(3 846)	-	-	-	1 897	-	1 897	1 897	-
Côte d'Ivoire	6 757	(2 692)	-	-	-	4 065	-	4 065	4 065	-
Cyprus	-	-	2 000	-	-	2 000	2 000	-	-	-
Czechoslovakia	20 906	(20 906)	-	-	-	-	-	-	-	-
Czech Republic	-	13 514	36 505	2 000 000	76 046	126 065	50 019	76 046	-	76 046
Democratic People's Republic of Korea	-	-	46 528	20 000	9 615	56 143	46 528	9 615	-	9 615
Democratic Yemen	5 566	(5 566)	-	-	-	-	-	-	-	-
Denmark	-	-	58,734,447	-	-	58 734 447	58 734 447	-	-	-
Djibouti	-	-	-	-	1 000	1 000	-	1 000	-	1 000
Dominican Republic	8 000	(481)	-	-	-	7 519	-	7 519	7 519	-
Egypt	78 612	(1 400)	88 928	299 668	88 922	255 062	-	255 062	166 140	88 922
Equatorial Guinea	28 716	(25 261)	-	-	-	3 455	-	3 455	3 455	-
Ethiopia	-	-	9 751	30 000	4 747	14 498	9 751	4 747	-	4 747
Federated States of Micronesia	2 000	-	-	-	3 000	5 000	-	5 000	2 000	3 000

SCHEDULE 1 (continued)

Donor	Balance due as at 1 January 1994 for prior bienniums	Additions and adjustments for prior bienniums	Pledges for 1994 and 1995	Pledges for future bienniums: Local currency	Pledges for future bienniums: United States dollars	Total	Payments received	Unpaid pledges as at 31 December 1995	Composition of balance due: For current and prior bienniums	Composition of balance due: For future bienniums
Fiji	3 421	257	7 081	5 000	3 597	14 356	10 759	3 597	-	3 597
Finland	-	-	19 118 091	-	-	19 118 091	19 118 091	-	-	-
France	-	-	2 565 380	-	-	2 565 380	2 565 380	-	-	-
Gabon	-	720	18 622	40 000 000	81 301	100 643	19 342	81 301	-	81 301
Gambia	5 000	-	-	-	-	5 000	-	5 000	5 000	-
Germany	-	-	59 534 667	46 200 000	32 307 692	91 842 359	59 534 667	32 307 692	-	32 307 692
Ghana	-	-	5 000	-	5 000	10 000	-	10 000	5 000	5 000
Guatemala	1 528	-	-	-	-	1 528	-	1 528	1 528	-
Guyana	47	3	-	-	-	50	50	-	-	-
Honduras	-	-	12 246	-	-	12 246	12 246	-	-	-
Hungary	-	-	25 455	-	-	25 455	25 455	-	-	-
Iceland	2 857	1 169	5 860	-	-	9 886	6 823	3 063	3 063	-
India	-	-	547 828	263 929	7 606	555 434	547 828	7 606	-	7 606
Indonesia	-	-	333 522	-	170 000	503 522	333 522	170 000	-	170 000
Iran, Islamic Republic of	50 000	-	-	-	-	50 000	-	50 000	50 000	-
Ireland	-	-	623 550	-	-	623 550	623 550	-	-	-
Israel	-	-	990	-	-	990	990	-	-	-
Italy	-	-	2 842 357	-	-	2 842 357	2 842 357	-	-	-
Jamaica	338	(29)	-	15 000	380	689	309	380	-	380
Japan	-	-	100 500 000	-	-	100 500 000	100 500 000	-	-	-
Jordan	-	-	97 298	-	-	97 298	97 298	-	-	-
Kenya	6 536	(3 538)	-	-	-	2 998	-	2 998	2 998	-
Kuwait	-	-	10,000	-	-	10 000	5 000	5 000	5 000	-
Lao People's Democratic Republic	1 000	-	2 000	-	1 000	4 000	3 000	1 000	-	1 000
Lebanon	-	-	3 036	-	11 000	14 036	3 036	11 000	-	11 000
Lesotho	-	-	2 292	4 269	1 173	3 465	2 292	1 173	-	1 173
Liberia	52 000	(52 000)	-	-	-	-	-	-	-	-
Libyan Arab Jamahiriya	78 616	(78 616)	-	-	-	-	-	-	-	-
Liechtenstein	-	310	3 788	-	-	4 098	4 098	-	-	-
Luxembourg	18 831	(18 831)	320 152	8 000 000	271 186	591 338	320 152	271 186	-	271 186
Madagascar	24 955	(14 785)	6 000	-	-	16 170	1 170	15 000	15 000	-
Malawi	225	6	3 058	-	2 614	5 903	2 371	3 532	918	2 614
Malaysia	-	-	30 000	-	15 000	45 000	30 000	15 000	-	15 000
Maldives	-	-	3 000	-	2 000	5 000	3 000	2 000	-	2 000
Mali	1 500	-	4 303	-	-	5 803	5 803	-	-	-
Malta	-	-	1 200	-	-	1 200	1 200	-	-	-
Marshall Islands	-	1 000	-	-	-	1 000	1 000	-	-	-
Mauritania	-	(310)	7 886	-	-	7 576	-	7 576	7 576	-
Mauritius	-	5 464	5 780	-	-	11 244	11 244	-	-	-
Mexico	4 762	(4 762)	25 000	-	-	25 000	25 000	-	-	-
Mongolia	4 000	-	8 000	-	4 000	16 000	12 000	4 000	-	4 000
Morocco	6 203	563	12 000	-	6 000	24 766	18 766	6 000	-	6 000
Mozambique	2 100	(238)	768	-	-	2 630	149	2 481	2 481	-
Myanmar	-	-	20 259	60 000	10 309	30 568	20 259	10 309	-	10 309

SCHEDULE 1 (continued)

Donor	Balance due as at 1 January 1994 for prior bienniums	Additions and adjustments for prior bienniums	Pledges for 1994 and 1995	Pledges for future bienniums			Payments received	Unpaid pledges as at 31 December 1995	Composition of balance due	
				Local currency	United States dollars	Total			For current and prior bienniums	For future bienniums
Namibia	-	-	2 549	-	2 000	4 549	4 000 a/	549	549	-
Nepal	-	-	6 000	-	-	6 000	-	6 000	6 000	-
Netherlands	-	-	71 242 511	75 000 000	46 583 851	117 826 362	71 242 511	46 583 851	-	46 583 851
New Zealand	-	-	656 450	-	-	656 450	656 450	-	-	-
Niger	10 946	7 572	-	-	-	18 518	18 518	-	-	-
Nigeria	5 682	(2 663)	-	-	-	3 019	-	3 019	3 019	-
Niue	-	-	500	-	-	500	500	-	-	-
Norway	-	-	55 012 675	-	-	55 012 675	55 012 675	-	-	-
Oman	10 000	(10 000)	-	-	-	-	-	-	-	-
Pakistan	-	-	1 000 000	-	501 614	1 501 614	1 001 614 a/	500 000	-	500 000
Palau	-	1 000	500	-	-	1 500	1 500	-	-	-
Panama	-	-	20 000	-	10 000	30 000	21 550 a/	8 450	-	8 450
Paraguay	89 000	(28 500)	52 000	-	-	112 500	112 500	-	-	-
Peru	15 000	-	-	-	-	15 000	-	15 000	15 000	-
Philippines	-	2 986	109 096	2 000 000	77 220	189 302	54 167	135 135	57 915	77 220
Poland	-	-	39 864	20 522	8 587	48 451	39 864	8 587	-	8 587
Portugal	25 000	-	25 000	-	-	50 000	50 000	-	-	-
Republic of Korea	-	-	450 000	-	500 000	950 000	450 000	500 000	-	500 000
Romania	-	-	3 509	4 147 500	1 626	5 135	3 509	1 626	-	1 626
Russian Federation	-	174 162	210 000	-	150 000	534 162	384 162	150 000	-	150 000
Saint Kitts and Nevis	117	(117)	-	-	-	-	-	-	-	-
Saint Lucia	-	-	1 440	-	-	1 440	1 440	-	-	-
Samoa	-	-	10 000	-	5 000	15 000	5 000	10 000	5 000	5 000
Saudia Arabia	-	30 000	60 000	-	30 000	120 000	90 000	30 000	-	30 000
Senegal	6 500	(6 500)	-	-	-	-	-	-	-	-
Sierra Leone	893	1 607	-	-	-	2 500	2 500	-	-	-
Slovenia	-	-	-	92 000	786	786	-	786	-	786
South Africa	-	-	-	-	10 000	10 000	-	10 000	-	10 000
Spain	-	-	843 546	60 000 000	487 805	1 331 351	843 546	487 805	-	487 805
Sri Lanka	-	-	20 000	-	-	20 000	20 000	-	-	-
Sudan	-	-	-	-	1 000	1 000	-	1 000	-	1 000
Swaziland	1 761	(1 212)	-	-	-	549	-	549	549	-
Sweden	-	-	35 108 328	-	-	35 108 328	35 108 328	-	-	-
Switzerland	-	-	14 217 419	9 000 000	7 758 621	21 976 040	14 217 419	7 758 621	-	7 758 621
Syrian Arab Republic	-	-	3 860	-	-	3 860	3 860	-	-	-
Thailand	-	-	132 474	-	72 000	204 474	132 474	72 000	-	72 000
Togo	20 270	(8 458)	-	-	-	11 812	5 714	6 098	6 098	-
Tokelau Islands	330	-	-	-	-	330	330	-	-	-
Tonga	-	-	7 684	-	-	7 684	7 684	-	-	-
Trinidad and Tobago	-	-	10 000	-	-	10 000	10 000	-	-	-
Trust Territory of the Pacific Islands	1 000	(1 000)	-	-	-	-	-	-	-	-
Tunisia	-	-	24 863	25 000	26 652	51 515	24 863	26 652	-	26 652
Turkey	30 054	(54)	150 000	-	90 000	270 000	60 000	210 000	120 000	90 000
Tuvalu	2 318	314	2 920	-	-	5 552	2 920	2 632	2 632	-

SCHEDULE 1 (concluded)

Donor	Balance due as at 1 January 1994 for prior bienniums	Additions and adjustments for prior bienniums	Pledges for 1994 and 1995	Pledges for future bienniums: Local currency	Pledges for future bienniums: United States dollars	Total	Payments received	Unpaid pledges as at 31 December 1995	Composition of balance due: For current and prior bienniums	Composition of balance due: For future bienniums
Uganda	3 768	470	1 855	-	-	6 093	1 855	4 238	4 238	-
United Kingdom	-	-	29 627 960	-	-	29 627 960	29 627 960	-	-	-
United Republic of Tanzania	6 608	(2 416)	5 758	-	-	9 950	-	9 950	9 950	-
United States	-	-	75 000 000	-	-	75 000 000	75 000 000	-	-	-
Uruguay	25 920	-	-	-	-	25 920	-	25 920	25 920	-
Vanuatu	5 000	(5 000)	-	-	-	-	-	-	-	-
Venezuela	-	-	10 000	-	-	10 000	3 882	6 118	6 118	-
Viet Nam	-	-	6 298	-	3 400	9 698	6 298	3 400	-	3 400
Yemen Arab Republic	10 544	-	3 847	-	2 847	17 238	12 400	4 838	1 991	2 847
Yugoslavia	10 000	(10 000)	-	-	-	-	-	-	-	-
Zambia	220	(62)	-	-	2 000	2 158	158	2 000	-	2 000
Zimbabwe	-	(23)	1 091	7 000	767	1 835	849	986	219	767
Total	812 595	(138 964) b/ (statement I)	558 053 282 (statement I)		94 888 588	653 615 501	558 102 440	95 513 061	629 637 b/ (statement II)	94 883 424

a/ Includes the following amounts paid in 1995 for future years' pledges:

Donor	United States dollar equivalent
Namibia	2 000
Pakistan	1 614
Panama	1 550
	5 164

b/ See note 2.

SCHEDULE 2

UNITED NATIONS POPULATION FUND

Miscellaneous income and expenditure
for the biennium ended 31 December 1995
with comparative figures for the biennium ended 31 December 1993

(United States dollars)

1992-1993				1994-1995
6 996 016	Income from investments			14 433 855
1 092 869	Miscellaneous income from accounts of executing agencies (net)			486 418
(3 535 388)	Net gains/(losses) on exchange resulting from revaluation of currencies other than contributions			1 131 552
1 552 805	Miscellaneous income from procurement services (net)		(note 3)	2 654 393
7 713	Donations			6 954
	Net sundry income/(expenditure):			
	Savings on liquidating obligations of prior biennium	460 828		
	Charges on financially completed projects	98 332		
	Other	358 618		
1 222 752				917 778
7 336 767	Total miscellaneous income (net)		(statement I)	19 630 950

SCHEDULE 3

UNITED NATIONS POPULATION FUND

Expenditure by United Nations agencies, Governments and non-governmental organizations
for the biennium ended 31 December 1995

(United States dollars)

	Personnel services	Sub-contracts	Training (fellowships)	Equipment and supplies	Miscellaneous	Total project costs	Technical support services	Administrative and operational services	UNFPA support costs	Total
United Nations	8 833 185	769 010	2 412 504	1 742 581	1 034 473	14 791 753	3 530 411	1 120 082	-	19 442 246
ECA	68 619	(22 683)	47 471	(32 997)	32 202	92 612	3 074 578	(84 715)	-	3 082 475
ECE	1 341 253	95 254	176 151	43 062	14 921	1 670 641	-	107 232	-	1 777 873
ECLAC	1 632 745	208 349	539 070	57 761	42 824	2 480 749	189 694	186 056	-	2 856 499
ESCAP	1 494 248	255 628	272 922	73 091	192 163	2 288 052	1 397 923	(117 657)	-	3 568 318
ESCWA	21 369	-	38 492	-	1 451	61 312	637 121	-	-	698 433
FAO	2 162 195	741 408	1 315 050	421 517	445 225	5 085 395	2 529 836	310 238	-	7 925 469
ILO	4 523 391	257 358	1 793 701	1 190 143	902 630	8 667 223	6 972 840	576 321	-	16 216 384
UNESCO	3 685 197	499 159	2 534 051	890 683	935 341	8 544 431	5 043 331	586 099	-	14 173 861
UNICEF	379 672	272 636	1 886 086	972 224	49 785	3 560 403	-	213 187	-	3 773 590
UNIDO	99 455	-	65 950	7 259	14 434	187 098	-	14 032	-	201 130
UNOPS	218 721	189 483	445 887	467 070	63 523	1 384 684	12 283	103 555	-	1 500 522
UNRWA	91 949	2 600	53 077	116 710	34 871	299 207	-	19 672	-	318 879
WHO	6 024 820	9 201 020	5 988 101	3 048 314	823 675	25 085 930	6 041 099	1 351 620	-	32 478 649
United Nations executing agencies total	30 576 819	12 469 222	17 568 513	8 997 418	4 587 518	74 199 490	29 429 116	4 385 722	-	108 014 328

SCHEDULE 3 (concluded)

	Personnel services	Sub-contracts	Training (fellowships)	Equipment and supplies	Miscellaneous	Total project costs	Technical support services	Administrative and operational services	UNFPA support costs	Total
Governments	18 043 043	20 165 244	31 248 549	20 158 209	11 460 722	101 075 767 a/	-	-	5 090 908 a/	106 166 675
UNFPA	29 506 568	23 954 944	22 466 779	111 956 026	5 133 127	193 017 444 b/	12 488 699	-	4 503 498	210 009 641
Intergovernmental institutions and other agencies, including non-governmental organizations	20 090 600	15 132 773	15 425 414	8 486 297	4 908 324	64 043 408	386 951	2 427 693	-	66 858 052
Current biennium expenditure (inclusive of cost-sharing)	98 217 030	71 722 183	86 709 255	149 597 950	26 089 691	432 336 109	42 304 766	6 813 415	9 594 406	491 048 696
Charged to:										
General resources	98 059 696	71 713 928	86 579 748	149 464 564	26 065 060	431 882 996	42 304 766	6 804 470	9 594 406	490 586 638
Cost-sharing	157 334	8 255	129 507	133 386	24 631	453 113	-	8 945	-	462 058
Total	98 217 030	71 722 183	86 709 255	149 597 950	26 089 691	432 336 109	42 304 766	6 813 415	9 594 406	491 048 696
						(schedule 4)	(schedule 5)			(statement I)

a/ See note 16.

b/ Includes UNFPA procurement assistance in respect of Government projects amounting to $90.1 million.

SCHEDULE 4

UNITED NATIONS POPULATION FUND

Project costs: unspent allocations as at 31 December 1995

(United States dollars)

	1994-1995 allocations	1994-1995 expenditure	1995 unspent allocations	Future years' allocations	Total unspent allocations
United Nations	21 005 935	14 791 753	6 214 182	4 695 607	10 909 789
ECA	163 466	92 612	70 854	30 890	101 744
ECE	1 869 208	1 670 641	198 567	301 011	499 578
ECLAC	2 384 006	2 480 749	(96 743)	90 550	(6 193)
ESCAP	2 381 518	2 288 052	93 466	92 500	185 966
ESCWA	156 345	61 312	95 033	538 650	633 683
FAO	6 318 001	5 085 395	1 232 606	408 810	1 641 416
ILO	11 436 074	8 667 223	2 768 851	3 552 394	6 321 245
UNESCO	10 564 853	8 544 431	2 020 422	4 196 332	6 216 754
UNICEF	3 886 109	3 560 403	325 706	-	325 706
UNIDO	201 011	187 098	13 913	34 686	48 599
UNOPS	1 488 910	1 384 684	104 226	24 750	128 976
UNRWA	113 210	299 207	(185 997)	-	(185 997)
WHO	27 670 601	25 085 930	2 584 671	5 773 665	8 358 336
United Nations executing agencies total	89 639 247	74 199 490	15 439 757	19 739 845	35 179 602
Governments	130 335 551	101 075 767	29 259 784	82 597 107	111 856 891
UNFPA	243 556 842	193 017 444 a/	50 539 398	73 044 819	123 584 217
Intergovernmental institutions and other agencies, including non-governmental organizations	78 285 271	64 043 408	14 241 863	22 923 667	37 165 530
Total	541 816 911	432 336 109 (schedule 3)	109 480 802 (note 4)	198 305 438 (note 4)	307 786 240

a/ Includes UNFPA procurement assistance in respect of Government projects amounting to $90.1 million.

SCHEDULE 5

UNITED NATIONS POPULATION FUND

Technical support services: unspent allocations as at 31 December 1995

(United States dollars)

	1994-1995 allocations	1994-1995 expenditure	1995 unspent allocations	Future years' allocations	Total unspent allocations
United Nations	3 528 204	3 530 411	(2 207)	-	(2 207)
ECA	3 642 325	3 074 578	567 747	-	567 747
ECLAC	189 771	189 694	77	-	77
ESCAP	1 523 483	1 397 923	125 560	-	125 560
ESCWA	688 315	637 121	51 194	-	51 194
FAO	2 837 816	2 529 836	307 980	440 000	747 980
ILO	6 902 891	6 972 840	(69 949)	590 000	520 051
UNESCO	5 228 423	5 043 331	185 092	271 814	456 906
UNOPS	12 283	12 283	-	-	-
WHO	6 310 247	6 041 099	269 148	2 243 300	2 512 448
United Nations executing agencies total	30 863 758	29 429 116	1 434 642	3 545 114	4 979 756
UNFPA	14 691 372	12 488 699	2 202 673	5 914 260	8 116 933
Intergovernmental institutions and other agencies, including non-governmental organizations	455 380	386 951	68 429	-	68 429
Total	46 010 510	42 304 766	3 705 744	9 459 374	13 165 118
		(schedule 3)	(note 4)	(note 4)	

SCHEDULE 6

UNITED NATIONS POPULATION FUND

Administrative and programme support services budget appropriations and expenditure for the biennium ended 31 December 1995

(United States dollars)

Programme	1994-1995 Appropriations a/	Expenditure 1994-1995 Disbursements	Unliquidated obligations	Total expenditure	Unencumbered balance as at 31 December 1995
I. Executive direction and management	4 227 700	3 689 880	48 090	3 737 970	489 730
II. Administrative, information and external relations services	33 436 900	29 814 973	854 006	30 668 979	2 767 921
III. Programme planning, appraisal and monitoring	28 970 500	24 358 441	258 456	24 616 897	4 353 603
IV. Field programme support	53 457 100	46 266 817	888 907	47 155 724	6 301 376
Gross appropriations and expenditure	120 092 200	104 130 111	2 049 459	106 179 570	13 912 630
Less: Credits and income	7 000 000			10 796 645 b/	(3 796 645)
Net appropriations and expenditure	113 092 200			95 382 925	17 709 275
				(statement I)	

a/ Appropriations as approved by the Governing Council at its fortieth session (decision 93/28). However, these appropriations have been adjusted to reflect the transfer of the Resource Development Unit from Programme I to Programme II, as contained in UNDP/UNFPA Executive Board document DP 1995/42.

b/ See notes 5 and 16.

SCHEDULE 7

UNITED NATIONS POPULATION FUND

Investments as at 31 December 1995
with comparative figures as at 31 December 1993

(United States dollars)

1993			1995
146 034	Interest-bearing current accounts		5 296
420 000	Call accounts		248 500
132 099 624	Time deposits		145 415 000
10 000 000	Bonds and notes		41 788 591
142 665 658	Total	(statement II)	187 457 387

SCHEDULE 8

UNITED NATIONS POPULATION FUND

Trust funds: statement of account for the biennium ended 31 December 1995

(United States dollars)

Trust Funds	Unexpended balance as at 1 January 1994	Contributions received	Interest, miscellaneous income and (expenditure)	Refunds to donors	Total funds available	Project expenditure	Administrative and operational services	UNFPA support costs	Total expenditure	Unexpended balance as at 31 December 1995
Multilateral, bilateral and other trust funds										
Arab Gulf Fund	(120 904)	70 000 a/	(1 715)	(15 000)	(67 619)	(60 830) a/	-	(3 041) a/	(63 871)	(3 748)
Australia	1 553 638	4 548 626	272 825	-	6 375 089	3 471 460	17 194	151 684	3 640 338	2 734 751
Austria	26 591	232 526	12 410	-	271 527	228 680	-	11 434	240 114	31 413
Belgium	1 573 985	1 167 141	168 201	-	2 909 327	1 324 417	871	14 895	1 340 183	1 569 144
Canada	386 431	206 179 a/	23 860	(22 268)	594 202	482 682 a/	(64)	(3 300)	479 318	114 884
Contraceptive Needs in Selected Developing Countries	149 996	451 821	33 356	-	635 173	595 126	-	-	595 126	40 047
Denmark	341 597	-	33 653	-	375 250	259 934	-	-	259 934	115 316
European Economic Community	70 482	99 749	6 388	-	176 619	125 706	-	2 252	127 958	48 661
Finland	2 204 999	1 093 419 a/	244 228	-	3 542 646	2 110 717	66 270	70 159	2 247 146	1 295 500
France	49 899	22 386	2 534	-	74 819	60 913	1 757	2 331	65 001	9 818
Germany	68 910	-	8 169	-	77 079	(16 362)	-	(818)	(17 180)	94 259
IBRD - Angola	-	344 321	4 686	-	349 007	209 636	-	10 482	220 118*	128 889
India	7 702	-	1 154	-	8 856	2	-	-	2	8 854
IPPF/AGFUND	97 911	549 000 a/	15 479	-	662 390	530 349 a/	-	26 517 a/	556 866	105 524
Italy	554 960	-	19 150	(574 110)	-	-	-	-	-	-
Japan	507 175	-	54 974	-	562 149	209 590	-	10 480	220 070	342 079
Luxembourg	677 340	925 946	97 200	-	1 700 486	616 302	-	30 978	647 280	1 053 206

SCHEDULE 8 (continued)

Trust Funds	Unexpended balance as at 1 January 1994	Contributions received	Interest, miscellaneous income and (expenditure)	Refunds to donors	Total funds available	Project expenditure	Administrative and operational services	UNFPA support costs	Total expenditure	Unexpended balance as at 31 December 1995
Management Development Unit	783 699	1 034 611	59 279	-	1 877 589	1 543 226	-	173 218	1 716 444	161 145
Netherlands	1 391 100	2 068 514	186 799	(122 864)	3 523 549	2 058 341	15 799	91 217	2 165 357	1 358 192
NGO (Indo-Hilfe-Peru)	23 392	15 248 a/	2 535	-	41 175	2 618	-	-	2 618	38 557
Norad	430 622	4 864 254	-	-	5 294 876	4 529 871	-	226 496	4 756 367	538 509
Norway	964 855	-	311 436	(42 524)	1 233 767	731 973	7 217	31 787	770 977	462 790
Oman	104 829	-	11 907	-	116 736	24 859	-	1 243	26 102	90 634
OPEC	234 828	-	33 729	-	268 557	-	-	-	-	268 557
Rockefeller Foundation	-	246 000	6 867	-	252 867	46 344	-	-	46 344	206 523
Spain	-	428 415	18 082	-	446 497	12 188	-	609	12 797	433 700
Sweden	1 043 084	485 417	94 481	-	1 622 982	973 949	11 419	41 085	1 026 453	596 529
Switzerland	86 849	87 676	18 312	(30 105)	162 732	44 473	876	1 640	46 989	115 743
Syrian Arab Republic	407 505	400 000	39 437	-	846 942	700 799	-	35 070	735 869	111 073
United Kingdom	538 784	6 819 397	240 676	-	7 598 857	6 402 319	-	278 582	6 680 901	917 956
	14 160 259	26 160 646	2 020 092	(806 871)	41 534 126	27 219 282	121 339	1 205 000	28 545 621	12 988 505
Procurement services b/										
Algeria	-	1 697 835	16 767	-	1 714 602	1 224 000	-	61 200	1 285 200	429 402
Asian Development Bank	323 742	-	75 053	-	398 795	312 090 a/	-	(1 323) a/	310 767	88 028
Brazil	-	598 000	1 051	-	599 051	553 429	-	28 621	582 050	17 001
Canada	-	6 450 689	85 634	-	6 536 323	6 851 443	-	342 572	7 194 015	(657 692) c/
Finland	-	1 503 669 a/	116 504	-	1 620 173	672 813	-	22 795	695 608	924 565

SCHEDULE 8 (continued)

Trust Funds	Unexpended balance as at 1 January 1994	Contributions received	Interest, miscellaneous income and (expenditure)	Refunds to Donors	Total funds available	Project expenditure	Administrative and operational services	UNFPA support costs	Total expenditure	Unexpended balance as at 31 December 1995
Germany										
Phase 1	2 523 547	-	331 336	-	2 854 883	(9 460) a/	-	210 565 a/	201 105	2 653 778
Phase 2	-	35 093 576 a/	258 388	-	35 351 964	32 832 096	-	1 716 456	34 548 552	803 412
Maternal Child Health Family Planning Programme in Burundi	-	811 556	20 575	-	832 131	677 866	-	34 683	712 549	119 582
Ghana	68 353	31 511	-	-	99 864	36 215	-	1 811	38 026	61 838
IBRD										
Bangladesh-Fourth Population and Health Project	59 320	10 441 213	283 283	-	10 783 816	8 044 639	-	280 875	8 325 514	2 458 302
Ghana	-	1 357 125	18 669	-	1 375 794	1 088 586	-	55 952	1 144 538	231 256
Niger	-	191 696	514	-	192 210	173 830	-	9 235	183 065	9 145
Romania	-	1 235 586	56 360	-	1 291 946	731 649	-	41 012	772 661	519 285
Netherlands	-	153 907	-	-	153 907	140 745	-	6 935	147 680	6 227
Sri Lanka	(84 787)	791 530	14 247	-	720 990	665 678	-	33 284	698 962	22 028
United Kingdom	-	6 006 321	52 187	-	6 058 508	4 456 171	-	231 291	4 687 462	1 371 046
	2 890 175	66 364 214	1 330 568	-	70 584 957	58 451 790	-	3 075 964 b/	61 527 754	9 057 203
Other Trust Funds										
International Conference on Population and Development	1 628 574	1 436 247 a/	148 466	-	3 213 287	2 806 494 a/	-	-	2 806 494	406 793
Rafael M. Salas Endowment Fund	401 051	18 231	56 807	-	476 089	30 206	-	-	30 206	445 883

SCHEDULE 8 (concluded)

Trust Funds	Unexpended balance as at 1 January 1994	Contributions received	Interest, miscellaneous income and (expenditure)	Refunds to Donors	Total funds available	Project expenditure	Administrative and operational services	UNFPA support costs	Total expenditure	Unexpended balance as at 31 December 1995
UNICEF	23 704	128 300	4 016	-	156 020	127 487	-	(2 761)	124 726	31 294
UN Population Award	624 712	100 000	93 447	-	818 159	80 420	-	-	80 420	737 739
	2 678 041	1 682 778	302 736	-	4 663 555	3 044 607	-	(2 761)	3 041 846	1 621 709
Total	19 728 475	94 207 638 d/	3 653 396 e/	(806 871)	116 782 638	88 715 679	121 339	4 278 203	93 115 221	23 667 417
										(statement II and note 10)

a/ This amount includes prior period adjustments.

b/ See note 3.

c/ Additional contributions of $646,470 were received in 1996.

d/ Consists of:

Contributions made by Governments and other donors	94 189 407
Private donations	18 231
	94 207 638

e/ See note 14.

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of significant accounting policies

The financial statements reflect the application of the following significant accounting policies:

(a) Income

All income of UNFPA (including pledges from Governments, investment income and miscellaneous income, but excluding contributions to cost-sharing and trust funds) is recorded on an accrual basis.

Contributions received, but not identified as to purpose, are held as accounts payable until identified, at which time they are recorded as income.

(b) Expenditure

All expenditure is accounted for on an accrual basis, except for that relating to staff entitlement and projects executed by Governments and by non-governmental organizations, which is accounted for on the basis of disbursements. Project expenditure includes unliquidated obligations raised by the executing agencies in respect of goods and services provided for in the project budgets for 1995 and contracted for by 31 December 1995.

(c) Exchange rates

Pledges made in currencies other than United States dollars are reported in the equivalent of United States dollars converted at the United Nations operational rate of exchange in effect on the date of the financial statements or, if paid, on the date of the payment.

Gains and losses resulting from exchange adjustments arising from payments of voluntary contributions are recorded as an offset to those contributions. Exchange gains and losses arising from collection of contributions pledged in a particular currency but paid in different currency are recorded as exchange adjustments on collection of contributions. All other exchange adjustments have been recorded as miscellaneous income/(expenditure).

For the purposes of accounting for assets, liabilities and transactions and the maintenance of other financial records, other currencies are translated into United States dollars at the United Nations operational rate of exchange in effect on the date of the report or transaction.

(d) Capital expenditure

The full cost of non-expendable equipment used for administrative purposes is charged to the UNFPA biennial budget in the year in which it is purchased. An inventory is maintained of all non-expendable equipment (defined as items of equipment valued at $1,500 or more a unit, and with a serviceable life of at least five years, and items of equipment included in any special lists, for which formal inventory records are maintained).

(e) Agency support costs and technical support services

Agency support costs represents the administrative support costs accruing to executing agencies incurred in the administration (technical and otherwise) of UNFPA-funded programmes and projects. The Governing Council, at its thirty-eighth session, in 1991, approved the successor support cost arrangements. The new arrangement, which took effect on 1 January 1992, has two basic components: (a) technical support services; and (b) a reimbursement of indirect administrative and operational services incurred at headquarters and regional offices for country projects. For intercountry projects, the reimbursement of administrative and operational services applies only to projects approved or ongoing after 1 January 1993.

These amounts are shown in statement I and schedule 3. The amounts shown as technical services includes the costs of technical support professionals, administrative support personnel and other related administrative costs. The administrative and operational services costs of country projects are the percentage of annual project expenditures authorized by the Governing Council for the reimbursement of those services. The administrative and operational services costs of intercountry projects are the real costs accruing to the executing agencies and are not a percentage of annual project expenditure.

(f) Reimbursable procurement

The Governing Council, at its fortieth session in 1993, approved that funds received by UNFPA for procurement of supplies, equipment and services on behalf and at the request of Governments, specialized agencies or other intergovernmental or non-governmental organizations are accounted for as trust funds. These activities are shown as procurement services in schedule 8.

In line with this decision, UNFPA is fully paid in advance of the procurement activities for all costs connected with such procurement, including a procurement service fee at the rate established by the Executive Director. This procurement service fee is accounted for as miscellaneous income.

Note 2. Contributions pledged by Governments

Contributions pledged by Governments for current and prior bienniums that had not been paid by 31 December 1995 were as follows (United States dollars):

1991	36 256
1992	35 985
1993	201 563
1994	41 174
1995	314 659
Total (statement II)	629 637

Additions and adjustments for prior bienniums of $138,964 shown in schedule 1 include unpaid pledges of $312,200 written off in the biennium 1994-1995 (United States dollars):

Country	
Bolivia	49 600
Burkina Faso	4 065
Chad	11 000
Comoros	2 710
Democratic Yemen	5 566
Equatorial Guinea	13 821
Kenya	5 152
Liberia	52 000
Libya	69 252
Luxembourg	18 831
Malawi	14 225
Mexico	4 762
Oman	10 000
Paraguay	28 500
Saint Kitts and Nevis	117
Senegal	6 500
Swaziland	1 099
Vanuatu	5 000
Yugoslavia	10 000
Total	312 200

Note 3. Miscellaneous income from procurement services

For the biennium ended 31 December 1995, procurement service fees of $3,075,964 (1993: $1,598,180) were earned, as shown in schedule 8. Expenditure of $421,571 (1993: $45,375) was incurred, leaving a net income $2,654,393 (1993: $1,552,805), as shown in schedule 2.

Note 4. Unspent allocations

Unspent allocations as at 31 December 1995 issued against resources of UNFPA for projects and for technical support services amounted to $320,951,358, as follows (United States dollars):

	1995	Future years	Total
Projects (schedule 4)	109 480 802	198 305 438	307 786 240
Technical support services (schedule 5)	3 705 744	9 459 374	13 165 118
Total	113 186 546	207 764 812	320 951 358

Of the allocations for future years, $159,849,697 relates to allocations for 1996. Forward commitments reported by executing agencies were approximately $10.6 million.

Note 5. Administrative and programme support services

Credits to administrative and programme support services expenditure in schedule 6 consist of (United States dollars):

	1994-1995	1992-1993
Support cost for Government-executed projects	5 090 908	2 376 192
Support cost reimbursed from procurement assistance in respect of Government projects	4 503 498	2 560 017
Support cost for projects under trust fund arrangements	1 202 239	511 848
Total	10 796 645	5 448 057

The amount of $5,090,908 includes support costs of $56,069 earned by UNFPA in the prior biennium for Government-executed projects.

Note 6. Non-convertible currencies pending United States dollar credit from UNDP

The amount of $29,536 (1993: $187,488) shown in statement II represents non-convertible currencies, held by UNDP on behalf of UNFPA, converted into United States dollars at the United Nations operational rate of exchange in effect on the date of receipt.

Note 7. Unliquidated obligations of executing agencies

The unliquidated obligations of $81,050,527 (1993: $37,379,545) shown in statement II consist of $53,635,586 for projects funded from general resources and $27,414,941 for projects funded from trust funds.

Note 8. Junior Professional Officers programme

The balance of funds from the Government of Canada for the Junior Professional Officers programme was $343,535 at the beginning of the biennium 1994-1995. During the biennium, funds totalling $217,921 (1992-1993: $395,665) were received and $355,659 (1992-1993: $52,130) was disbursed, leaving a balance of $205,797 (1993: $343,535), as shown in statement II.

Note 9. Accounts receivable and payable

(a) Accounts receivable and deferred charges

The amount of $1,160,775 (1993: $1,257,671), as shown in statement II, consists of the following (United States dollars):

	1995	1993
Advances to staff and consultants	209 471	113 627
Deferred charges	951 304	1 144 044
Total	1 160 775	1 257 671

(b) Accounts payable

The amount of $2,126,481 (1993: $1,897,577), as shown in statement II, consists of the following (United States dollars):

	1995	1993
Unliquidated obligations of the biennial budget	2 049 459	1 609 590
Miscellaneous accounts payable	77 022	287 987
Total	2 126 481	1 897 577

Note 10. Unspent allocations - trust funds

The total unexpended balance of $23,667,417 shown in schedule 8 consists of (United States dollars):

Unspent allocations	15 488 300
Unencumbered funds	8 179 117
Total	23 667 417

Unspent allocations consist of $11,583,723 for 1995 and $3,904,577 for future years.

Note 11. Reserve for field accommodation

The Governing Council, at its thirty-eighth session, in 1991, approved the establishment of a reserve for field accommodation at the level of $5 million for the biennium 1992-1993, as shown in statement II, and authorized the Executive Director to make drawdowns from it for the purpose of financing the UNFPA share of construction costs of common premises under the auspices of the Joint Consultative Group on Policy.

During the biennium 1994-1995, $1 million was advanced to UNDP towards the cost of construction of common premises.

Note 12. Operational reserve

The level of the operational reserve was set at $45 million at the thirty-sixth session of the Governing Council, in 1989. At the thirty-eighth session of the Governing Council, in 1991, the reserve level was revised and set at 20 per cent of the general resources income for each year of the UNFPA work plan. In line with this decision, the operational reserve was increased to $63 million in December 1995, as shown in statement II.

Note 13. Special population programmes

The Governing Council, at its seventeenth session, in 1974 authorized UNFPA to receive cash remittances from Governments and transfer these to designated special population programmes. During the biennium ended 31 December 1995, UNFPA received and transferred cash remittances totalling $46,558,833 from the Governments of Belgium, Japan, the Netherlands and Norway. The four recipients of these funds were the International Planned Parenthood Federation ($45,261,817 from Belgium, Japan and the Netherlands), the Population Council ($675,126 from the Netherlands and Norway), the International Union for the Scientific Study of Population ($444,206 from the Netherlands, Norway and Belgium), and the International Council on the Management of Population Programs ($177,684 from Norway). These amounts are not reflected in the financial statements.

Note 14. Interest income of trust funds

Effective 1 January 1995, interest earned by trust funds whose contributions were deposited in general resources bank accounts will be transferred from general resources to the individual trust funds in the same year it was earned. This policy differs from that applied in the previous biennium whereby interest income of trust funds was transferred at the beginning of the following year. Had this policy been in effect in prior years, the balance of the trust funds resources and general resources as at 1 January 1994 would have been $20,155,530 and $46,737,250, respectively. The miscellaneous income for the current biennium would increase by $427,005 and the interest income of trust funds would decrease by the same amount.

Note 15. Investment allocation

The method of allocating investments between general resources and trust funds has been revised effective 1994 to more accurately reflect the apportionment of assets and liabilities to the trust funds, as shown in statement II. The comparative figures for 1993 were restated accordingly from $75,746,149 to $65,596,744 for general resources and from $13,819,924 to $23,969,329 for trust funds.

Note 16. Government-executed projects

In 1993 the responsibility for processing all financial transactions pertaining to Government-executed projects was transferred to UNFPA field offices. Project costs of approximately $4.8 million were not processed by 31 December 1993 and were not reported in the financial statements for the biennium ended 31 December 1993.

These project costs are now included in the Government expenditure of $101.1 million, as shown in schedule 3. The corresponding UNFPA support costs, amounting to approximately $0.02 million, are also included in programme

expenditure in statement I, and in schedule 6 as credits and income to the administrative and programme support services biennial budget expenditure.

Note 17. Non-expendable property

As at 31 December 1995 the estimated value of non-expendable property at headquarters and field offices was $3,462,608 (1993: $2,276,732) and $2,549,341 (1993: $1,990,304), respectively.

Note 18. Contingent liability

The contingent liability resulting from the termination benefits that UNFPA may be required to pay to its staff members in future years was estimated as at 31 December 1995 to be $3,175,573 (1993: $3,094,680) with respect to repatriation grants and $509,490 (1993: $500,807) with respect to termination indemnity.